THE Freeman

IDEAS ON LIBERTY

OCTOBER 1960

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THE Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

OCTOBER 1960 Vol. 10 No. 10

LEONARD E. READ *President,* Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount — $5.00 to $10,000 — as the means of maintaining and extending the Foundation's work.

Accepted as controlled circulation publication at Irvington, N. Y., with additional entry at New York, N. Y. Copyright, 1960, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 25 or more, 20 cents each.

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AMERICA IS ★ MANY ★ MILLION ★ PURPOSES

Five-Year Plans and other politically derived national goals are inconsistent with the ideals of limited government and freedom

WILLIAM HENRY CHAMBERLIN

DEFINING America's national purpose has become a contagious fad. A considerable number of more or less distinguished persons have tried their hand at it in long articles; and it will be surprising if there is not, in due course, a spate of books on the subject. But somehow these attempts at definition, even when made by men with a scholarly knowledge of American history and above average awareness of contemporary American life, have not come off very successfully. What often comes out of these efforts is little more than a string of platitudes and a list of causes with which the writer is personally identified.

A vital point that is often overlooked is that in a nation like America, "conceived in liberty," as Lincoln said, there is no absolute authority, individual or collective, that can prescribe a set of national goals, binding on all citizens. National purpose in America is a synthesis of millions of individual purposes, sometimes conflicting, yet adding up to a very rich national total, spiritually, culturally, materially. The old-fashioned monarchies and aristocracies of Europe, against which the American Revolution was a political revolt and a philosophical protest, did have their ambitions, aims, and "purposes" directed, not toward the well-being of their peoples, but toward national aggrandizement by war and seizure of territory.

The Founding Fathers of the American Republic had a radically different idea. They proposed, first

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Mr. Chamberlin has written a number of books, has lectured widely, and is a contributor to *The Wall Street Journal* and many nationally known magazines.

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of all, to guarantee the freedom of the citizen and his unalienable rights to life, liberty, property, "the pursuit of happiness" (what cynical sneers that last ideal must have excited among European reactionaries who read the Declaration of Independence) by a scientific balancing of power against power, so that no individual, no group, no instrument of government could wield unlimited authority.

This excluded, so far as was humanly possible, the exploitation of the people by any ruling group. It placed on the new republic an indelible stamp of voluntariness, of genuine consent of the governed. It eliminated the possibility that any group of Mr. Bigs, however sure they were right, however exalted their motives, could order and plan and push around and apply compulsion to their fellow-citizens.

One of the wisest and keenest of the foreign observers of the American Republic, Alexis de Tocqueville, was quick to note the difference between Europe, with its instinct for reliance on the State, and America, where government intervention was regarded with distrust and private initiative and self-reliance were outstanding qualities of the people.

"When a private individual meditates an undertaking," writes Tocqueville, "however directly connected it may be with the welfare of society, he never thinks of soliciting the cooperation of the government, but he publishes his plan, offers to execute it himself, courts the assistance of other individuals, and struggles manfully against all obstacles. Undoubtedly he is often less successful than the State might have been in his position; *but in the end the sum of these private undertakings far exceeds all that the government could have done.*" (Italics supplied)

This streak of self-reliance, of dependence on one's own resources, individually or in voluntary cooperation with one's neighbors, gave to American life a special and peculiar quality. In times of great stress and crisis there have been leadership and discipline. But it was leadership that was voluntarily accepted, not imposed by fear of a firing squad or a concentration camp.

An Individualistic Order

The American Revolution shows no equivalent for the French Jacobins or the Russian Communists, no highly organized conspirative, tightly disciplined party imposing its will and laying the groundwork for a tyranny more ruthless and efficient than the one which was being destroyed. It re-

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flects rather both the strength and weakness of a revolt against foreign arbitrary rule by a highly individualistic frontier society.

From a technical standpoint it was a messy affair. Volunteer militia units behaved splendidly on some occasions and failed badly on others. It required infinite patience, along with other high qualities of patriotic leadership, for George Washington to hold together an army that was usually unpaid and sometimes almost starving, to cope with the problems of limited term enlistments and the absence of a regular system of finance and supply.

And yet, when Yorktown surrendered and it was all over and the United States took its place among the nations of the world, the foundations of a free society had been laid more securely than if victory had been won by a military leader at the head of troops whose allegiance was to him, not to their country and the republican cause, or by a fanatical party intent on stamping out any opposition as "counterrevolution." Washington himself, after guiding the destiny of the country during eight years of war and eight years of peace, could sound a note of sober rejoicing in the last sentence of his Farewell Address:

"I anticipate with pleasing expectation that retreat, in which I promise myself to realize, without alloy, the sweet enjoyment of partaking, in the midst of my fellow-citizens, the benign influence of good laws under a free government, the ever favorite object of my heart, and the happy reward, as I trust, of our mutual cares, labors and dangers."

Moments of Decision

These same elements of voluntariness, consent of the governed, multiple purposes of citizens of the nation rather than any single "national purpose, or purposes," prescribed from the top, have marked America's development from the agrarian society of three millions, clinging to the fringes of the Atlantic, to the mighty industrial nation of 180 millions which we know today.

Of course, there were moments of decision, as when Jefferson made the Louisiana Purchase, or when President James K. Polk took measures calculated to round out America's permanent frontiers in the Southwest and Northwest. But no one worked out five-year, or any other plans for the settlement and cultivation and development of what was once the frontier area of Kentucky and Ohio and of its steady westward extension. This was the work of large numbers of individuals, im-

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pelled by a great variety of motives, among which acquiring better conditions for themselves and their families predominated.

No bureaucratic agency in Washington said to the men and women who moved to the West in an endless caravan of covered wagons: So many of you shall go this year to this district and you shall chop down so many trees and plant so many acres with corn and so many with wheat. The winning of the American West, one may be sure, went better because these agencies at that time were few and limited in powers and functions.

Multiple Purposes and Unlimited Possibilities

It is the glory of America that, at least up to the time when it became fashionable and popular to substitute state help for self-help, it has been a land of multiple purposes and unlimited individual opportunities. America is infinitely many purposes. It is the scientific inventor – like Morse or Alexander Graham Bell or Charles P. Steinmetz or Edison – working in his laboratory on some invention that will change the pattern of life.

It is Edgar Allen Poe, with his dark broodings, and Walt Whitman in his ecstatic jubilation, and Ralph Waldo Emerson working out a typical American philosophy of life, and the fruit of the imaginings of Hawthorne and Melville and the New England poets, with their more conventional messages. These and other similar figures were not, like writers in a totalitarian society, the hired propagandists of any particular order of things, political, economic, or social. They were following their own artistic impulses, expressing their own ideas, and thereby adding stone by stone to the edifice of American culture.

America offers, along with its big and often well-equipped state universities, a unique exhibit of private schools and private liberal arts colleges, often founded as an expression of religious faith or of devotion to a special educational or cultural ideal. And this strong concern with education, which has been marked since the early period of American life, has left its imprint, again on a basis of private initiative, in many foreign lands. One thinks of the colleges founded, with or without a missionary association, in China, Japan, India, Korea, Turkey, Lebanon. Some of these have been casualties of totalitarian suppression; others are still functioning. But here again is a unique example of private initiative in the cultural field, reaching out and probably winning more friends and exerting

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more constructive influence than all the expensive programs of government aid and "cultural exchange."

Voluntary Cooperation

To suggest that America's greatness lies not in trying to frame national goals and purposes, but in making it possible for millions of individual Americans to realize *their* goals and purposes is not to intimate that America is devoid of ideals or lacking in the capacity for voluntary cooperation. Quite the contrary. The American pioneer, by his very way of life, was more self-reliant than the European peasant who was dependent for his livelihood on the local country squire in England, or nobleman in France.

But, in the case of an Indian raid, the lives of the pioneer and his family might depend on the willingness of his neighbors to come to his help. There was also cooperation in building cabins, in clearing woods, in husking corn. And this tradition of voluntary mutual aid finds expression in the very different conditions of modern life, in the service club that looks after handicapped children, in the alumni group of a small or medium-sized college that raises funds for scholarships for the students who have followed them and whom they wish to help.

Libertarian Ideals

As for ideals, it is doubtful whether any other nation came into existence in such a ferment of discussion of natural rights and natural laws and the nature of liberty and how liberty can be effectively implemented. In the literature of the American Revolution, from weighty essays on political theory like the Federalist Papers to resolutions of state assemblies and newspapers and periodicals, one finds constant emphasis on these five natural rights of free men: life, liberty, property, conscience, and happiness. These are regarded not as privileges which an arbitrary government can bestow or withdraw at will, but as unalienable rights derived from the Creator himself.

So John Dickinson wrote to the Committee of Correspondence in Barbados:

"Kings or parliaments could not give the rights essential to happiness....They are created in us by the decrees of Providence, which establish the laws of our nature. They are born with us; exist with us; and cannot be taken from us by any human power, without taking our lives. In short, they are founded on the immutable maxims of reason and justice."

And Alexander Hamilton proclaimed this same theory of natural law and natural rights when he

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issued this flaming refutation of the Tory argument that New York had no charter and New Yorkers therefore did not possess charter rights:

"The sacred rights of mankind are not to be rummaged for among old parchments or musty records. They are written, as with a sunbeam, in the whole volume of human nature, by the hand of the Divinity itself, and can never be erased or obscured by mortal power."

Most modern revolutions are directed in varying degree against the rights of private property; but the American colonists never doubted that the right to acquire and own property and to be free from arbitrary levies on this property was among the basic unalienable rights of free men. So the town of Newburyport gave these instructions to its representatives in the Massachusetts General Assembly:

"That a people should be taxed at the will of another, whether of one man or many, without their own consent in person or by representatives is rank slavery. For if their superior sees fit, they may be deprived of their whole property, upon any frivolous pretext, or without any pretext at all. And a people, without property or in the precarious possession of it, are in no better state than slaves: for liberty, or even life itself, without the enjoyment of them flowing from property, are of no value."

Indeed the American Revolution was in some degree a vindication of the rights of property against the arbitrary incursions of the British Crown. Prominent among the charges listed in the Declaration of Independence to justify the severance of the connections with Great Britain are that George III "has cut off our trade with all parts of the world," "has imposed taxes on us without our consent," and "has erected a multitude of new offices and sent hither swarms of officers to harass our people, and eat out their substance." (On this count a new Declaration of Independence has long been overdue.)

Compulsion To Be Avoided

There is no compatibility between respect for unalienable rights of man, based on natural law, and establishment of a "national purpose," binding on all citizens, or of compulsory economic planning. It is, of course, anyone's privilege to say what he thinks America's national goals should be, or how he would like to see our economy develop. The sticking point is the injection of compulsion into either of these processes.

It is sometimes argued that the challenge of communism makes it

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necessary to scrap or greatly modify the principles to which the signers of the Declaration of Independence "mutually pledged our Lives, our Fortunes, and our sacred Honor."

Twenty-five centuries ago there was a similar challenge in ancient Greece. Sparta, the totalitarian state of that time, was waging war against Athens, which stood for a freer way of life. Here is how the greatest Athenian statesman of his time, Pericles, responded to this challenge as he pronounced a funeral oration over the first victims of the war:

"The freedom which we enjoy in our government extends also to our ordinary life. There, far from exercising a jealous surveillance over each other, we do not feel called upon to be angry with our neighbor for doing what he likes....

"If we turn to our military policy, there also we differ from our antagonists. We throw open our city to the world, and never by alien acts exclude foreigners from any opportunity of learning or observing, although the eyes of an enemy may occasionally profit from our liberality. We trust less in system and policy than in the native spirit of our citizens. While in education, where our rivals from their very cradles by a painful discipline seek after manliness, at Athens we live exactly as we please, and yet are just as ready to encounter every legitimate danger....

"We cultivate refinement without extravagance and knowledge without effeminacy; wealth we employ more for use than for show, and place the real disgrace of poverty not in owning to the fact but in declining the struggle against it....We have forced every sea and land to be the highway of our daring, and everywhere, whether for evil or for good, have left imperishable monuments behind us. Such is the Athens for which these men, in the assertion of the resolve not to lose her, nobly fought and died."

Pericles believed that Athens would defend itself best not by imitating its enemies, but by remaining true to its own ideals. There is a lesson here for modern America. It would be a sorry and ridiculous paradox, in the name of fighting communism to take over, even unconsciously or subconsciously, some of the methods of communism, political or economic.

National ideals, Yes. We should become more familiar with them and live up to them better.

National purpose, as something set apart from the multiple purposes of millions of ambitious, devoted, capable American citizens, No. ◆

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Private Affluence and Public Poverty

The real point at issue is how much farther – if at all – we can safely go toward discouraging individual initiative, self-reliance, and industrious habits. The barrage of complaints over inadequate economic growth would seem to suggest that we need to concern ourselves more, rather than less, with the human aspirations that make the economy go.

IN RECENT YEARS it has become fashionable to say that the United States presents a shocking contrast between private wealth and public poverty. Private citizens are pictured as so affluent that they really don't need all the money they have. On the other hand, it is argued that government is "poverty-stricken" and urgently needs more money. Professor John Kenneth Galbraith's presentation of these views in *The Affluent Society* made the best-seller lists and became a provocative topic for conversation. Now the issue has been taken to Washington.

From the *Monthly Letter* of the First National City Bank of New York, June 1960.

A recent *New York Times* dispatch by Edwin L. Dale reported that: "More and more people in the capital are convinced that the most important continuing issue of American policy and politics over the next decade will be the issue of public spending – what share of America's total resources should be devoted to public as distinct from private purposes." Mr. Dale summed up the view on "private affluence and public poverty" as follows:

> Our society has reached a level of private wealth never before seen on this earth.
>
> Yet at the same time there is poverty in the public sector of the econ-

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omy. Education is under-financed. Streams are polluted. There remains a shortage of hospital beds. Slums proliferate, and there is a gap in middle-income housing. We could use more and better parks, streets, detention facilities, water supply. The very quality of American life is suffering from these lacks – much more than from any lack of purely private goods and services. The share of government in the total economy has been stable or even declining, while private affluence grows.

This is quite an indictment of the free society that has given the masses of the American people wealth and living standards admired the world over.

Antigovernment Fixation?

Senator Joseph Clark of Pennsylvania, addressing a distinguished group of citizens at Arden House last month, expressed the fear that an "antigovernment fixation" in America might lead to a "new anarchy." This is a rather shocking thought. Most people have had the impression that government was taking on a bigger and bigger role in their lives, digging more deeply into their pockets for taxes, spending so much as to inflate prices, and offering more and more "federal funds for free" about the countryside.

The idea that the role of government should be limited is the central underpinning of American democracy; it grew out of the rebellion in 1775 against kingly power and led to the writing of a Constitution of limited powers designed to protect the freedom and sovereignty of the citizen. This was, perhaps, the "old anarchy," under which, fired by individual enterprise in a land of opportunity, a group of agricultural colonies clustered along the eastern seaboard expanded into the most prosperous nation on earth.

Senator Clark's fears seem rather far-fetched. The trend of events has been in the other direction, toward assumption by government of more and more responsibilities. If there is anything that could be called "antigovernment fixation" today it is only a small voice in the wilderness protesting against burgeoning federal bureaucracy and the tax confiscation of the greater part of the fruits of enterprise. In April 1957 we presented a calculation that if total government civilian employment continued to expand at the same rate as in the preceding 25 years we would all be working for government by the year 2069.

It is hard to see evidences of the alleged shriveling of the share of government in the total economy. Such evidences do not appear in statistics of government employment, tax revenues collected,

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GOVERNMENT GROWTH

	Middle 1920's	1940	Late 1950's
GOVERNMENT EXPENDITURES AND GNP			
Federal cash expenditures ($ bil.)	$2.8	$9.6	$94.8
State and local government expenditures ($ bil.)	7.7	10.3	48.8
Gross national product ($ bil.)	97.6	95.6	463.8
Per cent: Government expenditures to GNP	10.8%	20.8%	31.0%
SELECTED PUBLIC EXPENDITURES (*in millions of dollars*)			
Social insurance benefits	*	$1,215	$15,975
Highway expenditures	$1,819	2,177	8,702
Aid to other transportation	257	377	1,629
Public welfare and assistance	161	1,314	3,777
Police	290	386	1,769
Fire protection	203	235	873
Sanitation	312	207	1,505
Local parks and recreation	153	162	685
Jails and other correctional	68	105	573
Health	84	195	806
Hospitals	347	537	3,849
Education	2,243	2,827	16,836
OTHER MEASURES (in millions unless otherwise noted)			
Number of personal income tax returns†	4.2	14.8	59.8
Government employment	2.8	4.2	8.1
Educational enrollment‡	30.7	32.1	46.3
High school graduates, total number	n.a.	25.7	51.6
College graduates, total number	n.a.	3.9	8.1
Paved rural roads (miles)	0.5	1.3	2.1
National park acreage	9.6	21.6	24.4
Visitors to national parks	2.1	16.8	65.5
Social security coverage as percentage of paid employment	0	64.5%	90.5%
Public housing units (thousands)	0	60.9	444.7

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n.a. Not available. *Unavailable on comparable basis but minor. †Includes returns of estates and trusts which numbered less than one per cent of individual returns in 1940 and 1957. ‡Includes public and private schools from elementary to university level.

SOURCES: Figures are taken from U.S. Census Bureau's Surveys of *Governmental Finances in the United States;* U.S. Department of Health, Education and Welfare's *Health, Education and Welfare Trends;* and other official publications.

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or funds disbursed. As the table shows, there has been no lack of spectacular increases in outlays for social welfare, highways, sanitation facilities, jails, and the rest.

If we are headed for a "new anarchy," symptoms might be expected to appear in refusals of people to pay what they might regard as unconscionable tax levies. It is true there has been talk that some $8 billion of income is not reported for tax purposes; nevertheless, the fact remains that, with voluntary filing and reporting by tens of millions of individuals and hundreds of thousands of employers, the federal government is enjoying a bigger flow of cash income than any other government on earth, a cool $100 billion a year. If the federal government is indeed impoverished, the cause must be profligacy of expenditure rather than stinginess of the citizen. The amazing thing is how so much money can be disposed of so fast.

No Stinginess Here

How generous the citizen has been with government, compared with what he has kept for himself, is shown in the chart. There has been a 20 times multiplication of the federal government's cash intake in the past generation. Personal disposable income — the money people have left after income taxes to support themselves and pay other taxes — is not much more than four times the level of 1927. The rise for corporate profits (after taxes) would parallel the retarded gain for personal disposable income.

One excuse given for enlarging programs of financial assistance from the federal government to states and municipalities is that people cannot or will not provide the latter with enough money. No doubt the weight of federal income taxation leads many people to vote against costly state and local government projects involving still more taxes; nevertheless, state and local government income has risen to more than five times the level of 1927.

The Santa Claus School

It is difficult to see in any figures such as these support for the idea that government is poverty stricken. Nevertheless, it is a fact of record that the federal government has had a lot of trouble keeping its budget balanced. The reason emerges when one looks around at the bewildering variety of spending programs. Washington is the natural destination of people and local communities wanting money, as it has been since the advent of what the late Jesse Jones, former RFC chairman, characterized as the "free-spend-

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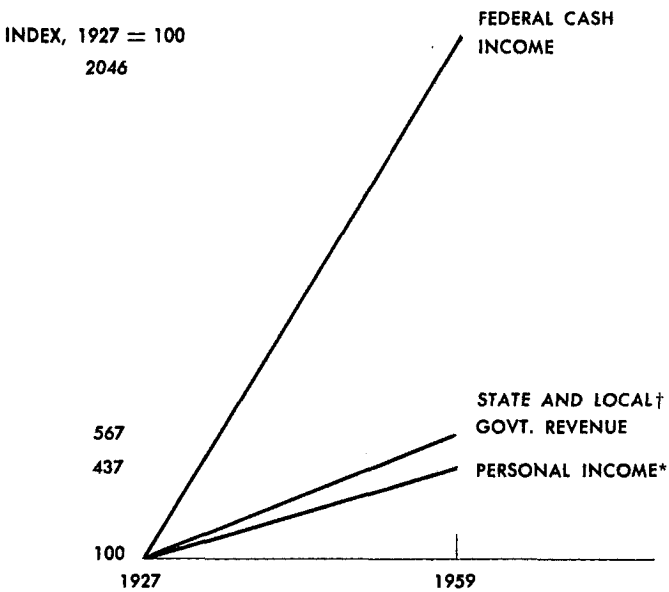
ing, Santa Claus school of government reformers." Meanwhile, the purposes for which funds are sought have come a long way from the emergency relief programs of the 1930's. Encouraged by federal help and example, the states open their purse strings. Only a few months ago, a New York State Supreme Court decision held that public housing projects open to individuals and families with annual incomes of as much as $6,200 to $14,000 were legally entitled to be built under New York State's low-income housing program.

It might be asked on what principle government should subsidize normal living expenses for people with incomes double the national average. Who but themselves will pay the bill—with freight charges to and from Washington tacked on? A good deal of manpower gets wasted, collecting taxes and doling out benefits in the paradoxically poverty-stricken affluent society.



Comparative Expansion in Federal Cash Receipts, State and Local Government Receipts, and Personal Disposable Income, 1927 to 1959.

*After taxes. †1958 figure.

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The truth seems to be that we are caught in a vicious circle in which people's abilities to take care of their own needs are hampered by the burden of taxes. Paying so much in taxes, the citizen is tempted to think it only right to get something back. Hence the "needs" government sees for more and bigger subsidy programs which in turn require to be financed by still higher taxes or inflation. And inflation, hitting the weak and helpless hardest, creates still more "needs."

Matter of Tail-Fins

The preachers of the affluent society doctrine are fond of using tail-fins on automobiles as the ultimate symbol of unnecessary private extravagance. They are not so apt to mention the wheat bins holding surplus grain for which taxpayers have put up more than $3 billion and which, converted into bread, would provide 450 loaves for every man, woman, and child in this country. They say nothing about misconceived public works projects and the common abuses of social welfare programs. On May 16, Budget Director Maurice H. Stans found it necessary to revise federal travel regulations to encourage more flying by coach or tourist class instead of first class by government employees:

"These revisions are issued to call attention to the fact that the use of first-class air travel by government employees far exceeds in proportion its use by the general public, and to urge greater consideration of less costly facilities."

Tail-fins on automobiles are supposed to prove that people are foolish in their spending decisions and cannot be trusted with their own money. There are two schools of thought about tail-fins but it is quite clear that millions of people have preferred them; otherwise the finned vehicle would not be so common. Perhaps the surrey with the fringe on top was similarly condemned in the Gay Nineties, as a symbol of "conspicuous consumption."

Yet it is one of the proud distinguishing marks of a classless democratic society that any citizen with enough money or credit can have a car, suit, dress, or home with some seemingly useless ornamentation; he does not have to be somebody in an official sense. People work hard so that they can enjoy these things and be individuals rather than the drones of a master state.

The *New York World-Telegram & Sun*, on May 23, commented editorially on the subject:

There is much scornful talk of "luxury living," the implication being that people are so stupid they

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throw their money away on gadgets instead of essentials. Actually, this national growth has been widely spread. The significant effect has been to raise millions in America from a level of bare subsistence to modest comfort that remains far short of luxury.

Older citizens can remember when the "full dinner pail" was an effective political slogan, meaning the worker should have enough to eat. Today's trade unionist is no "simple working man" to be patronized with a few beers at election time. He's a substantial citizen who probably owns his own home, auto and TV set, with children in college.

It seems obvious to us that it would be the height of national irresponsibility to trade a system which has worked so well for a Socialist-inspired experiment, especially at a time when the early European sponsors of socialism are abandoning it for free enterprise.

The author of *The Affluent Society* has been characterized as an iconoclast although nothing has become more common and conventional than asking government to take over more powers and responsibilities from the citizen. It is notable that another member of this school of thought, Mr. Adlai Stevenson, does pause to recognize that:

> Without individual decision and inventiveness, without widely dispersed centers of authority and responsibility, the social order grows rigid and centralized. Spontaneity withers before the killing frost of public conformity. Individual citizens with all their varied relationships, as parents, neighbors, churchgoers, workers, businessmen, are reduced to the single loyalties of party and state.

The School Problem

Perhaps the most widely used illustration of alleged "public poverty" is our school system. We are told that while the American people drive around in "mauve and cerise, air-conditioned, power-steered, and power-braked" automobiles, their children's schools are "old and overcrowded." The charge is that the states and local communities, which in the United States are responsible for education, just haven't been doing their job. What is needed, the critics say, is *federal* money for education, with some proposals running to $4 billion a year. As a speaker at the convention of the American Association of School Administrators put it: "The federal government, that's where the money is. And that's where the money must come from."

No country comes close to rivaling American spending on education. Total public and private expenditures for education in the U.S. reached $22 billion in 1959, almost triple their level 10 years earlier.

To say that the nation's schools

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are "old and overcrowded" collides with the fact that the states and local communities have built 680,000 classrooms since World War II, more than half the 1,330,000 now in use. The "classroom shortage," supposed to justify federal intervention, has been shrinking steadily. Back in 1955 predictions were heard that we would be 600,000 classrooms short by 1958. When 1958 arrived, the U.S. Office of Education estimated the shortage at 141,900. Although the peak demands for high school and college facilities lie ahead, we have passed over the hump of elementary school enrollments. The job of building to make up for the deferral of school construction during the war, and the bulge in births immediately after the war, is largely past.

Some educators suggest that the trouble with U.S. education is excess emphasis on money and too little emphasis on what we are getting for the money; excess emphasis on elaborate new plant and too many idle hours for existing plant; excess emphasis on quantity of education and too little on quality. Schools which slight subjects with intellectual content in favor of "life adjustment" type courses are not going to be improved by more money. The problem is one of purpose, as Dr. Grayson Kirk, president of Columbia University, indicated in January: "Our public schools and far too many of our colleges have virtually abdicated their functions in society because they are content to give their students little more than an opportunity to have pleasurable social experiences." Professor Richard M. Weaver of the University of Chicago has put the same point even more strongly:

> Education here today suffers from an unprecedented amount of aimlessness and confusion. This is not to suggest that education in the United States, as compared with other countries, fails to command attention and support. In our laws we have endorsed it without qualification, and our provision for it, despite some claims to the contrary, has been on a lavish scale. But we behold a situation in which, as the educational plants become larger and more finely appointed, what goes on in them becomes more diluted, less serious, less effective in training mind and character; and correspondingly what comes out of them becomes less equipped for the rigorous tasks of carrying forward an advanced civilization.

Some Fundamental Issues

One trouble with the idea of turning our affairs over to the dictates of wise men sitting in government offices is that it clashes with the traditional beliefs of our people. The right to be dif-

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ferent, the right to live according to our own lights is rooted too deeply in the American soil to be passively given up. The citizen has no reason to believe that public officials are exempt from human frailities. As Mr. Stans, speaking before the U.S. Chamber of Commerce, said last May: "We must not be charmed by the notion that government is a wiser manager of our economic fortunes than is private enterprise."

It is hard to see how political freedom can survive if economic freedom is denied. When people spend their money, they are casting ballots for what ought to be produced. They all make mistakes, as government does in its procurement, but they may be a bit more careful because, after all, the money they are spending is their own. Moreover, the mistakes of individuals are small mistakes, never the billion-dollar variety. ◆

The American Predicament

PERRY E. GRESHAM

A BRONZE TABLET in Indianapolis records one of the wise and relevant remarks of a statesman and prophet: "Here February 11, 1861, Abraham Lincoln, on his way to Washington to assume the Presidency, in an address said: 'I appeal to you to constantly bear in mind that not with the politicians, not with the Presidents, not with the office seekers, but with you is the question: Shall the union and shall the liberties of this country be preserved to the latest generation?' "

Dr. Gresham is President of Bethany College, Bethany, West Virginia. This article first appeared in the May 1959 issue of *The Kiwanis Magazine*.

This timely warning calls each responsible person to assess the nature of the present American predicament with an appraising eye and a clear head. Three massive facts appear. The state is already enormous and is continuing to grow. The individual is very small and growing smaller. Only a revolutionary action can recover the autonomy of the individual person and the values of private enterprise.

War multiplies the size and power of the State. National survival demands a dictatorship in a time of enemy attack or a time of international warfare. The two re-

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cent world wars have given most of us experience in totalitarian citizenship. The wake of World War II has continued the apparent necessity for powerful central authority to withstand the external threat of hostile communist powers. Consequently, the American State has taken on colossal proportions. Approximately four fifths of the enormous federal tax revenue goes to pay for wars past, present, and future. The Kremlin helps to enhance the size and power of the American government.

Internal American strife has created larger and larger bureaus with more and more personnel spending more and more money. Big labor and big business require big government to serve as referee and arbitrator. Each time a labor union cries out for federal help, as in the Wagner Act, a new bureau is formed with its retinue of vested interest career people and its bureaucratic needs. Each time an industry seeks special advantage through subsidy or legislation to improve its position for survival, or additional consideration in protection or profit from the various commissions, or seeks for regulation to avoid competition, new government agencies appear. As expenses mount, an army of tax collectors must be put in the field to divert funds from private to state use in order to meet the insatiable demands of Leviathan.

The General Welfare

The State grows because it is committed "to promote the general welfare." This concept has come to mean a Welfare State with social security for the aged, unemployment compensation for the jobless, support and services for the indigent, and health services for the many. The needs of man outrun his supply, no matter how vast the provision. Pressure for more social security, more unemployment compensation, more pensions, more health services, and more secure and easy government jobs builds up until the Leviathan grows apace, whether his strange head resembles a pachyderm or a jackass.

Politicians must gain office and stay in office, or they are not politicians. The most inviting and the most venerable means of getting elected is to make promises. The exclusive formula for retaining office is either to keep the promises or to make bigger promises to obscure the failure of performance with reference to those already made. Since giveaway promises appear to get quick results, they occur to parties and candidates alike. The State grows in proportion to its programs of expenditure. With the colossal greed of military de-

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mands and the insatiable pressure for welfare programs, the State must arrogate to itself more and more functions, power, and proportions. Parties and persons who aspire to office out-promise each other in a race to feed the Leviathan.

Inflationary pressures encourage the growth of the State. Everybody wants inflation for himself, but not for anybody else. As pressure builds up for more and more wages, prices must go up. The same pressures build up with respect to profits. The parties pinched by inflation cry out for government help, and the sensitive politicians respond with the creation of new administrations, which involve more taxes, which require higher prices, which demand more wages; and the round repeats itself. The net result is more and more government.

Individualism Discouraged

Alexis de Tocqueville, noted French political scientist of the last century, described individualism as "a mature and calm feeling, which disposes each member of the community to sever himself from the mass of his fellow creatures; and to draw apart from his family and his friends, so that, after he has thus formed a circle of his own, he willingly leaves society at large to itself. Individualists owe nothing to any man, they expect nothing from any man; they acquire the habit of always considering themselves as standing alone, and they are apt to imagine that their whole destiny is in their own hands. Individualism is of democratic origin and threatens to spread in the same ratio as the quality of conditions." This creature of early American origin is little more than a museum piece. The individual features have become blurred in a collectivist world.

With "security" as a major aim for the earning motive and conformity as the principal consideration for the consuming motive, there is precious little individualism left. The virtues of Puritan America – honesty, industry, and frugality – are widely ignored as irrelevant. People who can attain security by belonging to the association, the union, or the party are not likely to knock themselves out by working and planning for it. Even wild birds prefer the feeder to the tent caterpillars in the forest. The responsibility to save for a rainy day has been turned over to Uncle Sam. "Honesty," which once included payment of debts, has been delegated to posterity. The conditions of contemporary society do not encourage individual responsibility.

Keeping up with the Joneses has

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taken a new turn under the spell of mass media. It may be "keeping down with the Joneses," or "up," as the case may be, but it must be *like* the Joneses. Consequently, our coeds move their waist lines up or down, and our cars get bigger and "finnier," or small and foreign. Our homes grow more automatic and our children grow more nervous in an effort to belong to the crowd. Deferred payments enable the newlyweds to conform to the pattern of their parents. Our music tastes level out to match our preferences in architecture, drama, and literature. We have variety without great difference. We prefer the organization man to the individualist. The dissenter, or the private thinker, is an inconvenience.

The individual feels powerless against the political organization. Consequently, the voter tends to join the consumer quest for the candidate who fits the norms of sincerity and federal generosity. Only the conformist can belong to the machine, and only the machine can elect. The responsible citizen is obscured. The campaign oratory becomes perfunctory and dull, since it has little bearing on the election returns.

The private enterpriser in learning has become lost in the crowd on the campus. The Benjamin Franklin formula of a lifetime of learning has been replaced with the "four years and a degree" formula, with as little learning as possible. Individual thought on crucial issues is hard to come by. Executives read a few cult papers and a few mystery thrillers with very little else to stir up the neurons.

Even the last citadel of man—his religion—has become socialized. Instead of a vertical answer to God, man tends to give horizontal answers to the well-dressed and highly respectable congregation that has status. Private prayer has become beautifully professionalized. The multitudes huddle together in Jerusalem without much recollection of the lonely vigil on a mountain top at midnight or the silent walk by the shores of Galilee.

As the State grows big, the individual becomes small. People huddle together to dispel their loneliness and increase their share in security and advantage. The family becomes weak as a social unit. The peer group outranks the parents in prestige for the young. The conditions that beget autonomous people have given way to conditions that encourage the mass society.

The recovery of private enterprise begins with religion. No person is an individual until he can say: "I must obey God rather than

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men." This is the moral basis for all private judgment. The individual human mind which operates in culture, economy, politics, or family life can be reinforced and sustained only by a divine influence which transcends all society. This is no invitation to fanaticism or antisocial attitudes. It is rather the basis for autonomous self-realization and private enterprise in acts and letters, as well as in money management and citizenship. Robert Frost has a wise old Yankee farmer say: "I call you to a one-man revolution; the only revolution that is going to come."

The right to be wise is posited on the assumption that a person thinks privately. Education must be restored. Invention, creative art, new developments in the social order, and new ideas are the result of individual thought rather than educational conformity. The quest for wisdom is a highly individual matter. The appetite for learning is antecedent to intellectual achievement.

A One-Man Revolution

A one-man revolution in the economy begins when a laborer stands up against his union or an industrialist stands up against his association in behalf of some worthy moral principle. The man who resourcefully develops his business without running to Uncle Sam is a one-man revolution. The young man who earns what he can by hard work and spends what he can afford is a private individual. The young wife who buys what is practical and beautiful rather than what is popular is a true person. The executive or statesman who decides on the basis of his best insight into the will of God rather than expediency has found himself.

The problem of the ever-growing State must be met if any sphere for individual initiative is to be maintained. There are two massive social forces that resist the encroachment of government. These are resentment against high taxes and resentment against the loss of individual liberties. The man of independent mind can encourage these forces by intelligent conversation and astute action. The employer has responsibility to make employees acutely aware of the tax that is diverted from his pay check. He is responsible to dramatize the loss of liberty that comes with the overwhelming State. The intellectual, the clergyman, the worker, the homemaker, the common man in any vocation is involved in the struggle to recover the cherished concept of individual responsibility that is essential to personal fulfillment and the good society under God.

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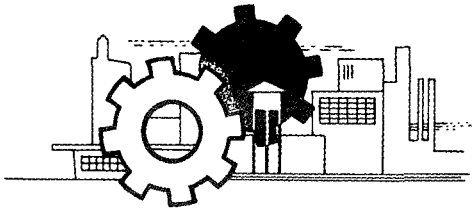

A Time of Decision

ROGER M. BLOUGH

MORAL PRINCIPLE is the foundation of all business credit and contract. Yes, our political freedom and our whole free enterprise system – in fact our whole Western civilization – rests upon the promises men can trust, upon the confidence that men have in each other because they live by, or at least try to live by, moral principles.

But our security as a nation and our freedom as individuals depends upon more than moral principle. It also depends upon our material strength.

The two are interdependent. Naturally, the moral strength comes first. All the material wealth in the world will not save a nation whose moral foundations rot away.

On the other hand, morality alone will not save a nation whose material strength has been permitted to dwindle far below the strength of a powerful and pagan enemy determined to destroy it. I would like to discuss some aspects of that material strength which we, as a nation, must have if we wish to earn the good life for our families and to defend ourselves against possible aggressors.

I recently returned from a journey to far away places and I have had an excellent chance to compare the progress in many other lands with the progress in our own.

What a transformation is going on around the world! Ore boats and blast furnaces in the land of the sacred cow! Steel plants rising in the land of the fig tree and the camel. Strip mills humming on shores once filled with sampans. Strip mills, incidentally, that can compete with the best we have in Pittsburgh or Chicago. The changes taking place around the

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Mr. Blough is Chairman of the Board of Directors, United States Steel Corporation. This is a condensation of his remarks before the Greater Philadelphia Council of Churches, May 16, 1960.

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world since the last great war are revolutionary on a scale that dwarfs all previous conceptions of the word "revolution."

Permit me to paraphrase Mr. Churchill. Never have so many nations tried to do so much so quickly.

Our Competitive Position

Where do we stand in respect to this economic challenge in this changed and changing world? One way to check our position is to compare our steel capacity with that of the rest of the world. Steel capacity is a fairly reliable indicator of the relative industrial strength of nations. How do we stand?

Although the steel industry in the United States has added 56 million tons of ingot capacity since World War II and is still growing, many foreign countries have greatly expanded their steel capacity. Total world capacity has now reached almost 450 million net tons of steel. Where the United States once had more than half of the world's steel capacity, we now have about one-third. No longer will the United States have the preponderance of world steel production it enjoyed in the past. Since World War II, at least twenty nations have more than trebled their production of steel, and some seventeen countries have begun or are beginning modern steel production for the first time.

It would be extremely unwise for us in the United States to assume that these developing nations will not one day loom much larger on the industrial horizon. The great industrial strides of Europe since World War II are well known to you. Japan has also done a most remarkable job industrially in the last ten years. Its rate of industrial growth has far exceeded our own — a significant accomplishment.

We thought we were quite advanced when we installed punched card programming of production in our new structural mill in Chicago. But Japan has an ultramodern steel plant being similarly equipped. Japanese steelmakers have underbid American producers on ship plates and sheet for the use of the U.S. Navy Department, and on locomotives for the Panama Canal. And last year foreign producers sold about one-third of all the nails and staples marketed in the United States, while their share of the barbed and twisted barbless wire market was more than 60 per cent.

So, we enter this new decade facing foreign competition revitalized and expanding, and competing with the advantage of an employment cost substantially lower than our own.

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Capital Requirements

Now competing against lower labor costs is nothing new for us. The United States has always been able to compete with overseas producers. But we have been able to do so by accumulating capital and investing it at a faster pace in more modern tools and machinery – and our superior output of those tools more than offset their lower employment costs. It was the greater output per man hour, made possible in large part by better tools, that in turn made possible the payment of better wages in America.

Today, our major foreign competitors have tools as good – or sometimes better – than ours. And, although their raw materials in some instances may cost more, they still pay wages which are only one-third to one-seventh as much as we pay in the United States.

Many people define our present international predicament as an "unfavorable balance of payments" – and describe it as a serious public problem. Well, I happen to think it is a *private* "unfavorable balance of payments" problem as well as a public one – yours and mine.

As I understand it, the only protection a nation has against a loss of its gold reserves is to be steadily receiving from its debtors as much as it pays out to its creditors. In other words, our income from foreign countries must equal or exceed our outgo to foreign countries, lest we have to ship out our gold to pay our debts and so dangerously deplete our gold reserve.

Our international payments exceeded our receipts by 3.4 billion dollars in 1958 and by 3.7 billion dollars in 1959.

If we continue to lose gold, the international value of the dollar will decline. This would require a lowering of the gold content of the dollar, or a lowering of our legal reserve ratio. That would mean a new and significant step toward more inflation.

Balance of Payments

Why all this struggle to get our international payments back into balance – a struggle in which we appear lately to be making a bit of progress?

For some strange reason or other this balance of payments problem only seems to be discussed when it arises between nations. It never seems to get much notice between individuals. As long as I pay my grocer for the goods I buy, I have no unfavorable balance of payments with him, and that goes for my butcher and baker, too. The money I "sell" to each one of them is balanced by the goods he sells to me in return. Our trade accounts

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are balanced – that is, I'm sure yours are and I hope mine are. But if I squander my money at the race track to the point where I can no longer pay my grocer, it will do me no good to say that I have an unfavorable balance of payments.

We never hear of an unfavorable balance of payments between the good people of Philadelphia and those of New York. They do business together constantly, but there is an automatic discipline that keeps their trade in balance. If New York is a high-cost area and Philadelphia is a low-cost area, New York will lose business to Philadelphia, thus setting the forces in motion that will tend to correct the cost disparity. This is the discipline that exists between cities and states in our country. It is the sort of discipline that operates between me and my grocer.

A similar discipline exists in trade between nations. A high-cost country loses business to a low-cost country; and since this reduces the ability of the high-cost country to meet its foreign financial commitments, it is under pressure to ship gold to fulfill those commitments. This compels the high-cost country to correct its inflated costs or suffer even more serious consequences – a devalued currency that will buy less and less in the international as well as in the domestic markets.

Collective Follies

As individuals we readily submit to the domestic disciplines that balance our internal trade; but when we cease to operate as individuals, and function as collectives – especially as governments – we try to pursue policies which, if we were functioning as individuals, the discipline I have described would make us correct – and quickly – but which, collectively, some of us think we can pursue without ever meeting up with the same consequences.

Thus, if a government wants to persist in operating on an unbalanced budget, it can print the money to make up the difference in its own internal "unfavorable balance of payments." If it wants to subsidize farms and factories it can do so by exacting the resultant higher cost from the pockets of taxpayers and consumers. If it wants to confer on a minority group the power to impose uneconomic wage costs and thus bring about increased prices for all to pay, it can do so. And, finally, if it wants to appear to be aiding any one special interest group, it does so at the expense of all other taxpayers.

Now the apparent ease with which a government seems to do these things continues to blind us to the fact that not even a powerful government can keep on doing

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them indefinitely without paying a price. We may imagine we can ignore the inflation brought about by a series of unbalanced budgets, or the depressing effect of a mounting tax burden that handicaps our industry, our transportation, and our agriculture.

We may forget temporarily that labor can price itself out of jobs, just as readily as any businessman or farmer can price himself out of markets – forget, that is, until the day we begin to suffer the consequences. And that day is here. For we have been outstandingly successful in pursuing economic policies which have made our country just about the highest-cost country in the world. In more and more areas of trade we simply are not competitive with the rest of the world – and the trend continues in the same direction.

The Role of Business

Now what has this to do with our international balance of payments or our private balance of payments or with you and me as businessmen? Simply this:

Business has a major role to play and a major stake in this international balance of payments problem because basically we are responsible for the production which supports the payments.

So if a balance of payments is to be achieved, it is business, in one way or another, that balances the "balance of payments." We can and must do our share. We can increase our research, make better products, improve our marketing and work harder at selling – both here and abroad. We can do our best to endure protracted strikes – if they are forced upon us – in order to keep our costs in line. We can work to better our relations with our fellow-employees, and to improve our service to customers. I'm all for that effort 100 per cent plus!

All of this will help to build our export markets and thus help to restore balance in our international payments. But American business cannot do this alone, and it cannot do it with one hand tied behind its back competitively.

Bear in mind that these competing nations are our friends. They want to do business with us, and we want to do business with them. That way we will both benefit because we will both produce more than if we tried to go it alone. Therefore, the solution we work out must be geared to the long pull and must consistently look toward greater production and international trade all around.

One solution, sometimes offered in an attempt to neutralize the effects of overseas competition upon home producers, is to increase tariffs or tighten import quotas.

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This may offer temporary help in particular industries. But such help is, at best, a temporary expedient which does not go to the heart of the problem. And, at worst, it can seriously narrow our ability to compete.

We are, in terms of many raw materials, a "have not" nation. For example, we have to import all of our tin and natural rubber, most of our nickel, bauxite, and newsprint. Many of our industries would be severely handicapped without imports of such things as manganese. These imports, like the imports of our coffee, tea, and sugar, must be paid for by exports, or we will, as I said, get out of balance.

A Fresh Appraisal

I would like, therefore, to suggest – for what it may be worth – a way of looking at this unfavorable balance of payments problem. If we look at it as a matter of producing and selling – energetically and competitively – I think we will be making a good start toward understanding how to keep in balance.

As far back as I can remember, it was always an axiom of American industry to mind its own business. This is basic to a lot of things, including the solving of an unfavorable balance of payments. For it is upon the private, productive machines of our nation that the country must rely for the goods and services, the selling of which abroad is essential to a solution of the problem. We cannot continuously buy things produced abroad, as we want to, and give aid abroad as our national policy now provides, unless we can provide for the payments involved with a greater production, competitively self-sufficient both in America and off-shore.

Remove Our Handicaps

Is it not proper, then, as a start toward making the decisions which will count in the next decade, to look first to see what is really handicapping us in international competition?

If corporate taxes are higher than those of foreign competitors, and they are in many instances, and if our depreciation allowances for plants and tools are lower, as they usually are, would it not be wise to reconsider the matter?

If, by following what appears, at the time, to be the pursuit of political popularity, we promote the concentration of unreasonable powers in labor unions, does this not result in uneconomic wage settlements and do not these, in turn, result in pricing products out of markets and union members out of jobs? And should not these consequences be examined in the in-

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terest of the nation and of union members themselves?

If, by lack of economic understanding, we suffer a continued attack upon the profits earned by business – if we fail to achieve a popular understanding that profits are the source of our industrial strength and that *profit at work* in the form of tools and factories is the most inviting sight that a man looking for a job, or a nation seeking industrial strength can behold – will we not run the risk of undermining the material strength that is necessary to give support to any moral purpose?

These and many other like questions need answering. And none of the answers will be easily found – or, when found, universally accepted. Answers to tough questions never are easy.

But whether we like it or not, this is certainly a time for decision. The choices we make or fail to make in the next few years could determine, for many decades to come, whether this nation shall decline to secondary influence in the world's affairs, or whether we shall go forward – as I believe we can – to greater achievement in a world that is at peace because our nation is strong.

Lessons from New Zealand

THE FOLLOWING ITEMS, as instructive for Americans as for New Zealanders, are from the April 1960 issue of *Liberator*, the official journal of The Constitutional Society for the Promotion of Economic Freedom and Justice in New Zealand, Inc.

BIGGER PAY MARGINS AMONG COMMUNISTS

THE PROCESS of equalizing incomes irrespective of the capacity or will to work has probably gone further in New Zealand than anywhere else in the world. It is very questionable whether this should be a matter of national pride.

Complete equality should be the objective in the communist countries, but they are nowhere near as close to achieving it as is New Zealand.

In the Soviet army, the pay

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scales vary vastly between privates and generals, the disparity being much greater than in the western forces. Russian scientists are paid enormously more than laborers. In this way, the Communists encourage ability and application.

New Zealand, on the other hand, has come dangerously near to discouraging the use of brains. Instead of providing incentives for ability and application, this country has so leveled real earnings that it is more difficult to counter the view that it is comfortable to forget ambition and settle into a menial job for which the rewards are reasonably satisfactory.

At a recent meeting at New Plymouth, the Minister of Finance made some interesting admissions. He was asked if the government party's policy was still towards the equalization of incomes.

He said the party was "well beyond the stage" of wanting that. But he added, "We have got to face facts. Some people, such as scientists and technicians, have to be paid a greater reward than others, or we lose their services."

The inference is that salary scales are based on the availability of workers in certain professions, not on the worth of their services to the community. This might well be considered thoughtfully by university staffers who have recently gained substantial increases in salaries.

If there were more of them offering, or if those already here were less liable to go overseas for better rewards, they might not have received the increase.

But apart from the practice of reducing margins for skill and ability, to which all recent New Zealand governments have contributed, the policy of steeply grading income tax has been effective in still further reducing margins.

The chief result is to bring ever closer the millennium of mediocrity to which New Zealand politicians are evidently devoted.

SOCIAL SECURITY GONE MAD

IN A RECENT BROADCAST, the Minister of Social Security said cash benefits were now paid to 1,037,000 people, which meant that almost one in every two New Zealanders was now receiving a cash benefit, quite apart from health benefits.

According to the last Budget, the cost of social security in the financial year just ended was estimated at £104,000,000 – an increase of £15,000,000 in one year.

New benefits already announced

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for this year promise to put up the cost at least as much again, so the taxpayers will probably have to find at least £120,000,000 to finance the scheme.

Where does this money come from? From the pockets of the people, of course. A fair proportion comes from taxation on companies which cannot benefit in any way. This means that the products of those companies cost more than they would otherwise, and it is ultimately the customers who pay the company taxes.

Social security undoubtedly has an inflationary effect in forcing up prices. Judging from the complaints by aged beneficiaries published in letters to newspapers that the present benefit provides only a subsistence, those beneficiaries are little better off today on £4/5/– a week than they were on £1/10/– a week when social security began in 1939. Inflation has eaten up two-thirds of the value.

The war cannot be blamed for more than a small portion of the decline in the value of money. In the war years, in fact, inflation was held in check much more successfully than it has been since.

Unless inflation is checked, age beneficiaries may need £10 a week before many more years pass. But how can inflation be checked while taxes amount to more than 30 per cent of the national income?

These are factors which threaten New Zealand's economy. While New Zealand must compete on world markets which owe their prosperity to free enterprise and which are successfully holding their price level, continued inflation in this country must make it difficult to sell overseas successfully.

Instead of boasting of the achievements of social security, New Zealand might better count the cost and the threat to the national economy. ◆

IDEAS ON LIBERTY

Ralph Waldo Emerson

GIVE NO BOUNTIES, make equal laws, secure life and property, and you will not need to give alms. Open the doors of opportunity to talent and virtue, and they will do themselves justice and property will not be in bad hands. In a free and just commonwealth, property rushes from the idle and the imbecile to the industrious, brave, and persevering.

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THE CASE FOR FREEDOM

F. A. HAYEK

THE CASE for individual freedom rests chiefly on the recognition of the inevitable ignorance of all of us concerning a great many of the factors on which the achievement of our ends and welfare depends.

If there were omniscient men, if we could know not only all that affects the attainment of our present wishes but also our future wants and desires, there would be little case for liberty. And, in turn, liberty of the individual would, of course, make complete foresight impossible. Liberty is essential in order to leave room for the unforeseeable and unpredictable; we want it because we have learned to expect from it the opportunity of realizing many of our aims. It is because every individual knows so little and, in particular, because we rarely know which of us knows best that we trust the independent and competitive efforts of many to induce the emergence of what we shall want when we see it.

Humiliating to human pride as it may be, we must recognize that the advance and even the preservation of civilization are dependent upon a maximum of opportunity for accidents to happen. These accidents occur in the combination of knowledge and attitudes, skills and habits, acquired by individual men and also when qualified men are confronted with the particular circumstances which they are equipped to deal with. Our necessary ignorance of so much means that we have to deal largely with probabilities and chances.

Of course, it is true of social as

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Friedrich A. Hayek is an economic theorist of international reputation, perhaps best known for his 1944 classic, *The Road to Serfdom*. Formerly a professor at the University of London, he has been at the University of Chicago since 1950 as professor of social and moral science in the Committee on Social Thought.

The Constitution of Liberty, his most recent book, analyzes the ethical foundations of a free society, the laws and institutions developed to secure individual liberty, and the modern welfare-state departures from freedom. This essay, from the second chapter, is a sampling and appetizer.

The Constitution of Liberty may be obtained from bookstores or from The Foundation for Economic Education, Irvington-on-Hudson, New York.

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of individual life that favorable accidents usually do not just happen. We must prepare for them. But they still remain chances and do not become certainties. They involve risks deliberately taken, the possible misfortune of individuals and groups who are as meritorious as others who prosper, the possibility of serious failure or relapse even for the majority, and merely a high probability of a net gain on balance. All we can do is to increase the chance that some special constellation of individual endowment and circumstance will result in the shaping of some new tool or the improvement of an old one, and to improve the prospect that such innovations will become rapidly known to those who can take advantage of them.

Imperfect Beings

All political theories assume, of course, that most individuals are very ignorant. Those who plead for liberty differ from the rest in that they include among the ignorant themselves as well as the wisest. Compared with the totality of knowledge which is continually utilized in the evolution of a dynamic civilization, the difference between the knowledge that the wisest and that which the most ignorant individual can deliberately employ is comparatively insignificant.

The classical argument for tolerance formulated by John Milton and John Locke and restated by John Stuart Mill and Walter Bagehot rests, of course, on the recognition of this ignorance of ours. It is a special application of general considerations to which a nonrationalist insight into the working of our mind opens the doors. We shall find throughout this book that, though we are usually not aware of it, all institutions of freedom are adaptations to this fundamental fact of ignorance, adapted to deal with chances and probabilities, not certainty. Certainty we cannot achieve in human affairs, and it is for this reason that, to make the best use of what knowledge we have, we must adhere to rules which experience has shown to serve best on the whole, though we do not know what will be the consequences of obeying them in the particular instance.

Man learns by the disappointment of expectations. Needless to say, we ought not to increase the unpredictability of events by foolish human institutions. So far as possible, our aim should be to improve human institutions so as to increase the chances of correct foresight. Above all, however, we should provide the maximum of opportunity for unknown individuals to learn of facts that we ourselves are yet unware of and to

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make use of this knowledge in their actions.

It is through the mutually adjusted efforts of many people that more knowledge is utilized than any one individual possesses or than it is possible to synthesize intellectually; and it is through such utilization of dispersed knowledge that achievements are made possible, greater than any single mind can foresee. It is because freedom means the renunciation of direct control of individual efforts that a free society can make use of so much more knowledge than the mind of the wisest ruler could comprehend.

The Chance of Error

From this foundation of the argument for liberty it follows that we shall not achieve its ends if we confine liberty to the particular instances where we know it will do good. Freedom granted only when it is known beforehand that its effects will be beneficial is not freedom. If we knew how freedom would be used, the case for it would largely disappear. We shall never get the benefits of freedom, never obtain those unforeseeable new developments for which it provides the opportunity, if it is not also granted where the uses made of it by some do not seem desirable. It is therefore no argument against individual freedom that it is frequently abused. Freedom necessarily means that many things will be done which we do not like. Our faith in freedom does not rest on the foreseeable results in particular circumstances but on the belief that it will, on balance, release more forces for the good than for the bad.

It also follows that the importance of our being free to do a particular thing has nothing to do with the question of whether we or the majority are ever likely to make use of that particular possibility. To grant no more freedom than all can exercise would be to misconceive its function completely. The freedom that will be used by only one man in a million may be more important to society and more beneficial to the majority than any freedom that we all use.

It might even be said that the less likely the opportunity to make use of freedom to do a particular thing, the more precious it will be for society as a whole. The less likely the opportunity, the more serious will it be to miss it when it arises, for the experience that it offers will be nearly unique. It is also probably true that the majority are not directly interested in most of the important things that any one person should be free to do. It is because we do not know how individuals will use their freedom that it is so important. If it

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were otherwise, the results of freedom could also be achieved by the majority's deciding what should be done by the individuals. But majority action is, of necessity, confined to the already tried and ascertained, to issues on which agreement has already been reached in that process of discussion that must be preceded by different experiences and actions on the part of different individuals.

Freedom for the Unknown

The benefits I derive from freedom are thus largely the result of the uses of freedom by others, and mostly of those uses of freedom that I could never avail myself of. It is therefore not necessarily freedom that I can exercise myself that is most important for me. It is certainly more important that anything can be tried by somebody than that all can do the same things. It is not because we like to be able to do particular things, not because we regard any particular freedom as essential to our happiness, that we have a claim to freedom. The instinct that makes us revolt against any physical restraint, though a helpful ally, is not always a safe guide for justifying or delimiting freedom. What is important is not what freedom I personally would like to exercise but what freedom some person may need in order to do things beneficial to society. This freedom we can assure to the unknown person only by giving it to all.

The benefits of freedom are therefore not confined to the free—or, at least, a man does not benefit mainly from those aspects of freedom which he himself takes advantage of. There can be no doubt that in history unfree majorities have benefited from the existence of free minorities and that today unfreed societies benefit from what they obtain and learn from free societies. Of course, the benefits we derive from the freedom of others become greater as the number of those who can exercise freedom increases. The argument for the freedom of some therefore applies to the freedom of all.

But it is still better for all that some should be free than none and also that many enjoy full freedom than that all have a restricted freedom. The significant point is that the importance of freedom to do a particular thing has nothing to do with the number of people who want to do it: it might almost be in inverse proportion. One consequence of this is that a society may be hamstrung by controls, although the great majority may not be aware that their freedom has been significantly curtailed. If we proceeded on the assumption that only the exercises of freedom that the majority will practice are im-

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portant, we would be certain to create a stagnant society with all the characteristic of unfreedom.

The Nature of Change

The undesigned novelties that constantly emerge in the process of adaptation will consist, first, of new arrangements or patterns in which the efforts of different individuals are coordinated and of new constellations in the use of resources, which will be in their nature as temporary as the particular conditions that have evoked them. There will be, second, modifications of tools and institutions adapted to the new circumstances. Some of these will also be merely temporary adaptations to the conditions of the moment, while others will be improvements that increase the versatility of the existing tools and usages and will therefore be retained. These latter will constitute a better adaptation not merely to the particular circumstances of time and place but to some permanent feature of our environment. In such spontaneous "formations" is embodied a perception of the general laws that govern nature. With this cumulative embodiment of experience in tools and forms of action will emerge a growth of explicit knowledge, of formulated generic rules that can be communicated by language from person to person.

This process by which the new emerges is best understood in the intellectual sphere when the results are new ideas. It is the field in which most of us are aware at least of some of the individual steps of the process, where we necessarily know what is happening and thus generally recognize the necessity of freedom. Most scientists realize that we cannot plan the advance of knowledge, that in the voyage into the unknown – which is what research is – we are in great measure dependent on the vagaries of individual genius and of circumstance, and that scientific advance, like a new idea that will spring up in a single mind, will be the result of a combination of conceptions, habits, and circumstances brought to one person by society, the result as much of lucky accidents as of systematic effort.

Because we are more aware that our advances in the intellectual sphere often spring from the unforeseen and undesigned, we tend to overstress the importance of freedom in this field and to ignore the importance of the freedom of *doing* things. But the freedom of research and belief and the freedom of speech and discussion, the importance of which is widely understood, are significant only in the last stage of the process in which new truths are discovered. To extol the value of intellectual

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liberty at the expense of the value of the liberty of doing things would be like treating the crowning part of an edifice as the whole. We have new ideas to discuss, different views to adjust, because those ideas and views arise from the efforts of individuals in ever new circumstances, who avail themselves in their concrete tasks of the new tools and forms of action they have learned.

The Complexity of Progress

The nonintellectual part of this process – the formation of the changed material environment in which the new emerges – requires for its understanding and appreciation a much greater effort of imagination than the factors stressed by the intellectualist view. While we are sometimes able to trace the intellectual processes that have led to a new idea, we can scarcely ever reconstruct the sequence and combination of those contributions that have not led to the acquisition of explicit knowledge; we can scarcely ever reconstruct the favorable habits and skills employed, the facilities and opportunities used, and the particular environment of the main actors that has favored the result.

Our efforts toward understanding this part of the process can go little further than to show on simplified models the kind of forces at work and to point to the general principle rather than the specific character of the influences that operate. Men are always concerned only with what they know. Therefore, those features which, while the process is under way, are not consciously known to anybody are commonly disregarded and can perhaps never be traced in detail.

In fact, these unconscious features not only are commonly disregarded but are often treated as if they were a hindrance rather than a help or an essential condition. Because they are not "rational" in the sense of explicitly entering into our reasoning, they are often treated as irrational in the sense of being contrary to intelligent action. Yet, though much of the nonrational that affects our action may be irrational in this sense, many of the "mere habits" and "meaningless institutions" that we use and presuppose in our actions are essential conditions for what we achieve; they are successful adaptations of society that are constantly improved and on which depends the range of what we can achieve. While it is important to discover their defects, we could not for a moment go on without constantly relying on them.

The manner in which we have learned to order our day, to dress, to eat, to arrange our houses, to speak and write, and to use the

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countless other tools and implements of civilization, no less than the "know-how" of production and trade, furnishes us constantly with the foundations on which our own contributions to the process of civilization must be based. And it is in the new use and improvement of whatever the facilities of civilization offer us that the new ideas arise that are ultimately handled in the intellectual sphere.

Though the conscious manipulation of abstract thought, once it has been set in train, has in some measure a life of its own, it would not long continue and develop without the constant challenges that arise from the ability of people to act in a new manner, to try new ways of doing things, and to alter the whole structure of civilization in adaptation to change. The intellectual process is in effect only a process of elaboration, selection, and elimination of ideas already formed. And the flow of new ideas, to a great extent, springs from the sphere in which action, often nonrational action, and material events impinge upon each other. It would dry up if freedom were confined to the intellectual sphere.

The importance of freedom, therefore, does not depend on the elevated character of the activities it makes possible. Freedom of action, even in humble things, is as important as freedom of thought. It has become a common practice to disparage freedom of action by calling it "economic liberty." But the concept of freedom of action is much wider than that of economic liberty, which it includes; and, what is more important, it is very questionable whether there are any actions which can be called merely "economic" and whether any restrictions on liberty can be confined to what are called merely "economic" aspects. Economic considerations are merely those by which we reconcile and adjust our different purposes, none of which, in the last resort, are economic (excepting those of the miser or the man for whom making money has become an end in itself).

The Goals Are Open

Most of what we have said so far applies not only to man's use of the means for the achievement of his ends but also to those ends themselves. It is one of the characteristics of a free society that men's goals are open, that new ends of conscious effort can spring up, first with a few individuals, to become in time the ends of most. It is a fact which we must recognize that even what we regard as good or beautiful is changeable — if not in any recognizable manner that would entitle us to take a relativistic position, then in the sense

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that in many respects we do not know what will appear as good or beautiful to another generation. Nor do we know why we regard this or that as good or who is right when people differ as to whether something is good or not. It is not only in his knowledge, but also in his aims and values, that man is the creature of civilization; in the last resort, it is the relevance of these individual wishes to the perpetuation of the group or the species that will determine whether they will persist or change.

It is, of course, a mistake to believe that we can draw conclusions about what our values ought to be simply because we realize that they are a product of evolution. But we cannot reasonably doubt that these values are created and altered by the same evolutionary forces that have produced our intelligence. All that we can know is that the ultimate decision about what is good or bad will be made not by individual human wisdom but by the decline of the groups that have adhered to the "wrong" beliefs.

Measures of Success

It is in the pursuit of man's aims of the moment that all the devices of civilization have to prove themselves; the ineffective will be discarded and the effective retained. But there is more to it than the fact that new ends constantly arise with the satisfaction of old needs and with the appearance of new opportunities. Which individuals and which groups succeed and continue to exist depends as much on the goals that they pursue, the values that govern their action, as on the tools and capacities at their command. Whether a group will prosper or be extinguished depends as much on the ethical code it obeys, or the ideals of beauty or well-being that guide it, as on the degree to which it has learned or not learned to satisfy its material needs. Within any given society, particular groups may rise or decline according to the ends they pursue and the standards of conduct that they observe. And the ends of the successful group will tend to become the ends of all members of the society.

At most, we understand only partially why the values we hold or the ethical rules we observe are conducive to the continued existence of our society. Nor can we be sure that under constantly changing conditions all the rules that have proved to be conducive to the attainment of a certain end will remain so. Though there is a presumption that any established social standard contributes in some manner to the preservation of civilization, our only way of confirm-

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ing this is to ascertain whether it continues to prove itself in competition with other standards observed by other individuals or groups.

Competition Affords Alternatives

The competition in which the process of selection rests must be understood in the widest sense. It involves competition between organized and unorganized groups no less than competition between individuals. To think of it in contrast to cooperation or organization would be to misconceive its nature. The endeavor to achieve certain results by cooperation and organization is as much a part of competition as individual efforts. Successful group relations also prove their effectiveness in competition among groups organized in different ways. The relevant distinction is not between individual and group action but between conditions, on the one hand, in which alternative ways based on different views or practices may be tried and conditions, on the other, in which one agency has the exclusive right and the power to prevent others from trying. It is only when such exclusive rights are conferred on the presumption of superior knowledge of particular individuals or groups that the process ceases to be experimental and beliefs that happen to be prevalent at a given time may become an obstacle to the advancement of knowledge.

The argument for liberty is not an argument against organization, which is one of the most powerful means that human reason can employ, but an argument against all exclusive, privileged, monopolistic organization, against the use of coercion to prevent others from trying to do better. Every organization is based on given knowledge; organization means commitment to a particular aim and to particular methods, but even organization designed to increase knowledge will be effective only insofar as the knowledge and beliefs on which its design rests are true. And if any facts contradict the beliefs on which the structure of the organization is based, this will become evident only in its failure and supersession by a different type of organization.

Organization is therefore likely to be beneficial and effective so long as it is voluntary and is imbedded in a free sphere and will either have to adjust itself to circumstances not taken into account in its conception or fail. To turn the whole of society into a single organization built and directed according to a single plan would be to extinguish the very forces that shaped the individual human minds that planned it.

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It is worth our while to consider for a moment what would happen if only what was agreed to be the best available knowledge were to be used in all action. If all attempts that seemed wasteful in the light of generally accepted knowledge were prohibited and only such questions asked, or such experiments tried, as seemed significant in the light of ruling opinion, mankind might well reach a point where its knowledge enabled it to predict the consequences of all conventional actions and to avoid all disappointment or failure. Man would then seem to have subjected his surroundings to his reason, for he would attempt only those things which were totally predictable in their results. We might conceive of a civilization coming to a standstill, not because the possibilities of further growth had been exhausted, but because man had succeeded in so completely subjecting all his actions and his immediate surroundings to his existing state of knowledge that there would be no occasion for new knowledge to appear.

The rationalist who desires to subject everything to human reason is thus faced with a real dilemma. The use of reason aims at control and predictability. But the process of the advance of reason rests on freedom and the unpredictability of human action. Those who extol the powers of human reason usually see only one side of that interaction of human thought and conduct in which reason is at the same time used and shaped. They do not see that, for advance to take place, the social process from which the growth of reason emerges must remain free from its control.

Freezing the Process

There can be little doubt that man owes some of his greatest successes in the past to the fact that he has *not* been able to control social life. His continued advance may well depend on his deliberately refraining from exercising controls which are now in his power. In the past, the spontaneous forces of growth, however much restricted, could usually still assert themselves against the organized coercion of the state. With the technological means of control now at the disposal of government, it is not certain that such assertion is still possible; at any rate, it may soon become impossible. We are not far from the point where the deliberately organized forces of society may destroy those spontaneous forces which have made advance possible.

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No More Socialists

An astute observer of the current political scene finds socialism in theoretical bankruptcy, though there remains the lust for power to control others.

FRANK CHODOROV

I WAS A SHAVER of ten or twelve when I learned about Grand Street. This was, and is, a thoroughfare in downtown New York, but at the turn of the century it was also an institution, made so by a number of establishments along the street called "coffee saloons." These, I presume, served other articles of food, but when I patronized them in the afternoons the principal viands they purveyed were a mug of coffee and a hunk of cake – for a dime. The customers, or habitués, seemed to be less interested in eating and drinking than in arguing the metaphysics of Karl Marx or Kropotkin. The arguments went on all afternoon and, I was later told, all evening well into the night.

Each of these establishments acquired a character of its own, deriving from the particular ideology of its clientele, or from an interpretation of that ideology enunciated by some self-appointed pundit who had got a following. There was a "saloon" which only the true-believers frequented, their principal pastime, aside from discussing moot questions in Marxist "science," being to castigate the revisionists who held forth in another "saloon." The latter, called the Social Democrats, had a rendezvous of their own where they delighted in concocting reform measures which, incidentally, were later taken over by the Democrats and the Republicans. But, on the whole, these socialists were evolutionary, rather than revolutionary; they dreamed of the day when capitalism will have decayed, from its internal deficiencies, and a mere push from the proletariat would topple it. They were willing to let the forces of history do the job,

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and contented themselves with talking; there was little inclination to help the forces of history along. That was before Lenin came along with his doctrine of dynamism.

There are very few of the Grand Street type of socialists around these days, either in this country or in Europe, unless, perhaps, in the Kremlin. Gone are the doctrinaires, the "scientific" socialists, with whom I delighted to argue on the campus of Columbia College, or whom I heckled on the soapbox in Union Square, New York. All the theories of Karl Marx have been laid to rest by experience. There are few to say a good word for his laboriously concocted labor theory of value, or to give lip service to his many-worded theory of surplus value, which was the keystone of his theory of exploitation, which in turn was the basis of his indictment of capitalism. The Russian "experiment" has shown that the State, far from being a managing committee for the capitalist class, can be superimposed on the proletariat, and his "withering away of the state" theory has gone the way of all his other theories.

But, that is the way of empirical knowledge: it makes a mess of theories advanced by long-winded economists and ivory-tower social scientists. Capitalism, operating effectively on the mundane profit motive, has disproven Karl Marx on every point. To be sure, the economists of the Austrian School had done in the labor theory of value – that the value of a thing is determined by the amount of labor time put into its production – by showing that value is purely subjective and has nothing to do with labor; but capitalism, disregarding all the textbooks, went about disproving the labor theory of value by simply heeding the dictates of the market place; if people did not want or buy a thing, it was not produced, and that was all there was to it. The surplus value theory held that capitalists paid labor subsistence wages and retained as profits all that labor produced above this subsistence level; but capitalism proved that wages come out of production and that the more capital in use the greater will be the output of labor and therefore the greater its rewards. Capitalism has raised wages, not lowered them, as Marx predicted. So much so, that the worker with a washing machine and an automobile has lost every vestige of "working class consciousness"; he even plays golf.

Even the nationalization of industry, once the top priority of all socialistic programs, has lost its lure. In England, the labor unions, which furnish the bulk of the finances for the Labor Party, have

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learned that a strike against a nationalized industry is a strike against the government, or a revolution; besides, the inefficiency of a bureaucratically controlled plant is too obvious to warrant discussion.

So, what is socialism without Marx? I put that question to an official of the French Socialist Party and received this answer: "Marx could not have anticipated the technological advances of the last hundred years and, therefore, while his theories were correct in his day, they do not apply to present conditions. Nevertheless, Marx did much for the working class movement in his time and he still gives our movement direction and inspiration." That is to say, there is no theoretical position for socialists; they have no postulates to guide them and must play "by ear." As a matter of necessity they are reduced to expediencies and as such have become mere politicians, not revolutionaries. In every country (save, perhaps, Russia) the socialists have become office seekers, aiming to get hold of the reins of government by parliamentary methods, and for no other purpose than to enjoy the prerogatives and perquisites of office. Power for the sake of power is their aim.

Well, how does one acquire power in a country ruled by popular suffrage? By promising the electorate everything their hearts desire, and by being more profligate with promises than the opposition. Thus, socialism has become welfarism, and with welfarism, of course, comes control of the economy. But, while Marxism aimed to control the economy for the grander purpose of destroying capitalism, modern socialism seems bent on controlling the economy for the sake of control.

In short, socialists have become "liberals." In Europe those of the socialistic persuasion maintain their allegiance to the name, since there the word "liberal" still retains its original meaning, as defining one who would remove laws, not proliferate them, while the socialistically-minded in this country have perverted the word into its opposite. But the European socialist and the American "liberal" are both energumens for government intervention in the affairs of men, both have an overpowering desire for office, and both offer to buy votes with tax money. The programs and tactics of the two are identical.

And neither one has any theoretical position, any philosophy of either government or economics, by which it can be judged. Both are opportunistic. Only capitalism — or conservatism or libertarianism — has a theory to go by. But, that is another story.

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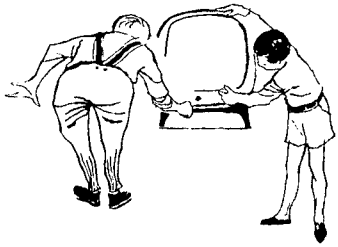
ANTIDOTES FOR TAX RESISTANCE



or—PROGRESS IN TRANQUILIZING TAXPAYERS

It was a rainy afternoon
At story-telling time.
Old Kaspar chose a strong cigar
And spiked his rum-and-lime,
While Peterkin and Wilhelmine
Looked at the historama screen.

They saw a hill where points of flame
Were sparkling on the ground,
Below the wispy clouds of smoke
That drifted all around;
While lines of men in red and white
Were moving up toward the height.

"It was a battle," Kaspar said,
"That shook a tyrant's reign.
When folks resisted his controls
And started to complain,
He sent the famous Lobsterbacks
To force the payment of a tax."

"The folks entrenched upon the hill
Believed in *laissez faire*;
And what a working man could earn
They called his rightful share.
They'd rather fight the Lobsterbacks
Than pay the royal tyrant's tax."

"With folks like that," cried Wilhelmine,
"The taxes couldn't rise!"
"But taxes now," Old Kaspar said,
"Have grown to monstrous size.
They swallow wealth and business firms
Just like a robin gobbles worms."

"Can freedom last," cried Peterkin,
"With taxes up so high?"
"There's little talk of freedom now,"
Said Kaspar with a sigh,
"When folks are waiting on their knees
For bigger federal subsidies."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

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W. M. CURTISS

KEEPING the PEACE

THE SPOTLIGHT has been on rockets to the moon, outer space, and summit meetings. But these bold headlines divert our attention from important things going on right in our front yard.

In the less conspicuous parts of our newspapers and magazines we read that crime is increasing at an alarming rate. J. Edgar Hoover says that since 1950, the crime rate has increased four times as fast as population. It has been estimated that crime costs this nation some $22 billion a year – $12 for every dollar spent in our churches. Without going into technical and legal definitions, crime is used here simply to mean the breaking of laws.

No doubt about it, crime is big business and a threat to our comfortable way of life. Earlier this year, *Life* magazine carried a story on world crime that covered about 25 pages in four issues. Investigations are going on at all levels of government and the conclusion is invariably the same: Pass more laws; tighten up on law enforcement; expand the police force; give police more power; have the churches and schools instill more reverence for laws.

In contrast to these solutions, it is here suggested that much of today's crime is directly caused by government action of one kind or another. In other words, the government, whose function is to protect life and property, to prevent fraud and stealing, to enforce contracts, and the like, in many cases actually promotes the very crimes it is supposed to suppress.

By nature, most men are law-abiding – they want to live according to the rules. Only a minority are lawbreakers who seem to gain satisfaction by flouting accepted modes of behavior. There comes a time, of course, when nor-

Dr. Curtiss is a member of the staff of the Foundation for Economic Education.

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mally law-abiding citizens feel moved to violate laws which seem unduly oppressive. A classic example was the American Declaration of Independence. The colonists believed that men are endowed by their Creator with such unalienable rights as life, liberty, and the pursuit of happiness, and that "whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government. . . . Prudence, indeed, will dictate that Governments long established should not be changed for light and transient causes; and accordingly all experience hath shewn, that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed. But when a long train of abuses and usurpations . . . evinces a design to reduce them under absolute Despotism, it is their right, it is their duty, to throw off such Government."

The Declaration is quoted merely to show that lawbreakers are not always the thugs and gangsters commonly associated with the term.

Some Examples

A number of examples, some in the United States and some international, will show that certain acts of government encourage criminal behavior as when the following conditions prevail:

1. A product or service is desperately wanted by some of the population.
2. A law prohibits free and open trade in the product or service.
3. A chance of a high profit from the trade if one is not caught by the police.

As a rule, the greater the possibility of profit and the more severe the penalty if caught, the more likely are those in the business to be desperate and venturesome persons with few qualms about lawbreaking. The problem grades down to the very small possible profit for a very tiny risk such as fudging on one's income tax about how much went into the church collection plate.

A motivation back of these crimes is similar to that which moves honest men to become great merchants and industrialists. The hope for profits is a tremendous force which may be directed toward good or evil.[1]

[1] "Profits" include all sorts of satisfactions and not only monetary or material gains. In the nonmaterial area, some men gain great satisfaction from having power over others—in enslaving their fellow men. Such a drive must have played an important role in the lives of Napoleon, Hitler, Stalin, and many others. At the other extreme, we find a Schweitzer, a Pasteur, a Gandhi, and numberless unknown persons whose profits come from serving others.

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Smuggling

A number of "crimes for profit" involve smuggling. According to the *Life* story: "More people are engaged in it [smuggling] than in any other form of international chicanery and, in terms of sheer dollar volume, no illegal practice in the world can match the total profits from smuggling. Wherever local regulations create the right conditions, there the smuggler can be found at work. Because of his activities, billions of dollars change hands each year, and sometimes the entire economy of a nation is seriously affected."

Among the smuggled items are gold into India, chocolate from Switzerland into Italy, nutmegs, precious stones and jewelry, tropical fish, refrigerators, television tubes, Salk vaccine, paintings and statues, U. S. cigarettes, coffee, gasoline, and people.

One can hardly be critical of the police whose job is to apprehend lawbreakers. One might be concerned, however, about laws preventing the free movement of goods and services. For example: An automobile may be purchased in Germany, taken to South America, and sold for six to eight times its purchase price. Profits of this magnitude could not long continue in a free market. But, in this case, the South American government either wholly restricts imports of the German autos or levies an exorbitant duty on them. So, in order to take advantage of what appears to be a fine profit, the trader resorts to smuggling, and runs the risk of being caught and assessed a high penalty – a kind of business likely to be taken over by the so-called outcasts of society.

In an open society where there is relative freedom to engage in manufacturing, trade, or the service industries, there is a tendency for man to engage in those businesses that appear profitable. Competition with others seeking the same ends assures reasonable prices and a modest profit for those who are most efficient. The profit motive is at work. While considered a noble force in the free market economy, the profit motive also may encourage men to break laws, in which case it becomes an evil force to be dealt with by government.

The buying of a car in Germany and re-selling it in a South American country would appear on the surface to be an ordinary transaction useful to all parties concerned. But, if the urge for profit leads to broken laws and smuggling, then it becomes a dirty business, engaged in by the underworld, a case for Interpol – International Police.

Smuggling occurs when a U. S. citizen returns from a trip to Canada with goods exceeding a

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certain value, which he has not declared and on which he has not paid duty. Though the law clearly defines this a crime, one may still ask why it is a crime to do that. And the same question might well be asked wherever smuggling occurs.

Prohibition

The prohibition of the sale of alcoholic beverages in the United States in the 1920's is a classic example of how government intervention may increase crime. It is not our purpose here to pass judgment on the evils of "demon rum." Certainly, intemperance takes many forms, and when associated with alcohol, it is demonstrably evil. How to correct such intemperance is not being debated here. The point is that the attempt to control the situation by law was a source of a considerable increase in crime. Involved was a product many persons wanted. Some, who weren't interested before Prohibition, began drinking only because it was illegal or the "smart" thing to do.

When the transportation and sale of alcoholic beverages became illegal, this gave rise to the new and highly profitable trade of bootlegging. The profits were sufficient to cover the pain of getting caught. In fact, the potential profits were so large that an "underworld" was drawn into the business with rival gangs competing for the right to serve certain territories. Under such conditions, crime was rampant.

To make matters worse, many consumers thought the restriction violated their rights, and much of the law enforcement was only half-hearted. The setting was perfect for lawbreaking by consumers, for crime among the suppliers, and for corruption of the law enforcement agencies.

As is so often the case, once government assumes responsibilities which individuals have theretofore assumed, the tendency is for individuals to relax and assume the government will do the job. Before Prohibition, many educational forces in the country, including schools, churches, and the home, emphasized the evils of the excessive use of alcohol. Even with the repeal of Prohibition, these forces apparently have not regained their former effectiveness.

In looking back over the history of the United States, it appears that the advent of Prohibition brought a general winking at law violation that has since spread into other fields.

Liquor law violations did not end with repeal of the Eighteenth Amendment. It has been estimated that 55 million gallons of unlawful hooch were produced by U. S.

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moonshiners during the past year, accounting for about one-fourth of all liquor consumed in the country. This illegal business grosses a fabulous amount of money and is said to be operated by organized gangs which means considerable crime.

What accounts for this illegal business that engages such a sizable part of our law-enforcement efforts? The obvious answer is that avoiding the exorbitant tax on liquor yields such "profits" that lawbreakers are drawn into the business, much as they were during the days of Prohibition.

The tax on liquor is designed not so much to raise revenue as to regulate people. It has become so high a percentage of the selling price of the product that a high premium is placed on tax-avoidance.

Gambling

It is not our intent here to pass judgment on the morality of gambling. The fact that gambling is the source of frightful tragedies in some families is too well known to require elaboration. Our point, rather, is that much of the crime associated with gambling stems from the government regulations surrounding the practice.

It may be inferred that the State does not consider gambling as such to be either immoral or harmful to its citizens, since it encourages betting at race tracks.

Nor are the organized churches unanimous in opposing gambling. In New York State some churches use bingo and other games of chance to raise money for their activities. A special license from the State is required, which further proves the point: The evils of gambling are removed if the State supervises it and gets a share of the proceeds.

There can be no doubt that some individuals have a tremendous urge to gamble, however foolish this may seem to others. If gambling is prohibited by law, ways will be found to circumvent the law. And persons will pay a goodly sum to wager, even though it is unlawful. As a result, it is highly profitable for "bookies" or others who handle bets to provide the machinery for betting. The potential profits are sufficiently great to attract nefarious characters who are willing to risk the heavy penalties of getting caught.

Governor Rockefeller recently stated that illegal gambling is now big business in New York State, conducted by criminal syndicates which use the revenue for other organized rackets. A special commission to investigate gambling disclosed that one ring in central New York grossed $250 million a year, had tie-ins in 14 states, and netted

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a profit of 10 per cent or $25 million. The chairman of the commission testified that "huge profits from bookmaking led to their control by organized criminal groups who too often can be found making substantial contributions to sympathetic public officials." This unsavory situation was confirmed by the Superintendent of the New York State Police.

The commission concluded with suggestions for stronger laws, better-trained police, more severe penalties, more efficient court procedures – in other words, more and better use of present methods of control. A more realistic appraisal of the problem by New York City's police commissioner Kennedy suggested that the citizens of the state are understandably confused when presented with our double standard with regard to betting. It is legal to bet on the horses at the track but illegal to bet away from the track.

What is needed, of course, is to remove the exorbitant profits which draw the underworld into illegal gambling. Some say that if we will just enforce our income tax laws, we will take care of the high profit motive in this business. True, once in a while an Al Capone will be caught by this method, but this is hardly a realistic solution for such a problem.

High profits stem from the laws against gambling; repeal of such laws would remove much of the cause of crime, reduce the costs of law enforcement, eliminate much of the prevailing corruption of government officials, and greatly help to restore respect among citizens for their government.

Narcotics

As a source of crime in the United States, the narcotics traffic is of first rank. Innumerable experts – medical, social, religious, and economic – have written on the subject to little avail. Most of them reach the same conclusion: more laws and stricter enforcement.

The narcotics addict certainly merits the concern and pity of all, and particularly in a country where addiction is a crime. Our purpose here is to help reduce the incidence of addiction and the crime associated with the traffic.

Because much of the narcotics traffic in this country is illegal, many of the facts can only be estimated.

A Turkish farmer produces opium from poppy plants which he can grow legally. He receives about $500 for ten kilograms (22 pounds) which is worth some $16,000 at dockside in New York. This amount in turn is "cut" and processed to make 70,000 "fixes" of heroin (a derivative of opium) which will sell at around $5 each

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or a total of $350,000 in the illegal market.

Thus, the Turkish farmer receives less than one cent for a product for which some teen-ager may eventually pay $5. The risk to the smugglers and handlers is great but the potential "profits" are enormous. The opium trade has been called "the cruelest business on earth." "The criminal rings are masterminded by some of the most malicious characters on earth." "The final result is always misery and devastation."

Contrary to the beliefs of many, the actual use of most narcotics does not directly stimulate crime. In one of its most common forms, opium is a depressant; it induces sleep, allays anxiety, and relieves pain. In countries where it can be used legally, an addict may be perfectly respectable and pursue a fairly normal life. It is said that crimes are rarely if ever committed by persons under the influence of heroin. It is the dread of withdrawal symptoms which enslaves one to the drug.

In the United States, the use of narcotics is generally illegal, and the crimes are committed to obtain money to get the drugs.

It is said that the use of heroin is so habit-forming that an addict will risk his life to get a single "fix." Couple this with the relatively high price he must pay and it is understandable why crime goes with the drug traffic. It is reported that addicts need from $20 to $100 a day to satisfy their cravings. Few employed persons could afford this, to say nothing of the unemployed teen-agers and the unemployables among the addicts.

No wonder, then, that such crimes as stealing and prostitution are committed by narcotics users. These, however, are petty crimes compared with the criminal activities of organized rings, underground smugglers, and others who market the product and compete for territories to serve.

The creation of new addicts is a business in itself. The profits to the "pusher" are so high that he constantly seeks new customers. Once a new customer is "hooked," he becomes a slave to the pusher. To get money for his daily "fix," he may become a pusher himself. And so, the vicious circle continues.

The number of addicts in the United States is unknown, but the U. S. Bureau of Narcotics estimates 46,000, nearly half of whom are in the New York area, and more than half of whom are colored persons.

A person is listed as an addict once he has run afoul of the law. And, of course, many are not caught. The New York City Mayor's Commission on Narcotics estimated 90,000 addicts in New York

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City alone. A president of the Medical Society of the City of New York said that 200,000 is probably no exaggeration for the number of addicts for the country as a whole.[2] Prior to 1925, with the passage of a federal law prohibiting the importation and manufacture of heroin in the United States, even for medicinal use, heroin was hardly used by addicts. Now, about 86 per cent of those apprehended are heroin users.

The United States is said to be the best market for dope in the world. By contrast, France and Italy report little addiction, despite the fact that much of the drug traffic goes through these countries. Some might conclude that our wealth accounts for the great market here; where else could persons afford $100 a day to support the habit? But since the addicts are not necessarily the wealthy, such an explanation is too simple. One must look behind this to the laws which relate to the traffic.

Much serious study has gone into methods of treating narcotic addicts. This is certainly important. Smuggling of narcotics is given great attention by national and international police. The crimes associated with drug traffic and the treatment of addicts are a tremendous expense, to say nothing of the heartbreak and anguish of ruined lives.

A solution, rarely mentioned, is to take the profit out of dope traffic. This would quickly eliminate the criminal rings of smugglers and handlers and the "pushers" who live by creating new addicts.

The disadvantages of addiction ought to be known by everyone, and especially young people. With an educational system that reaches practically every teen-ager in the United States, it should not be difficult to accomplish this.

Price Control

Those who remember price control and rationing during World War II will remember that black markets and crime accompanied them. Little of this remains today, but we still have rent control in some areas. The result is some form of rationing of space along with inadequate maintenance and servicing of the property by owners.

Whenever an item is priced, by law, below the figure derived by willing buyers and sellers in a free market, there is certain to be a shortage of that item. In that case, people have more than enough money to spend on that item to clear it from the market. So some method of rationing must be used

[2] Berger, Dr. Herbert. "Addiction Is An Illness" in *The Freeman*, October 1956.

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to allocate the supply. If it is rationed by tickets, there is always the temptation to cheat or steal or seek favoritism from the rationing board. The amount of crime will be in direct relation to the potential "profits" from dealing outside the law.

Tax Evasion

Most persons would look on tax evasion as a minor crime and so it would appear unless one could clearly see the ramifications and tragic effects extending through time.

Historically, most American people are law-abiding and willingly pay their taxes, even while grumbling a bit. A sizable portion of our taxes are hidden in the price we pay for things, and if we don't know, we don't grumble.

More than one-third of the income of most of us now goes for taxes. This affords considerable incentive for tax-avoidance and a great deal of time, effort, and money is spent in figuring either legal or illegal ways to cut down the take.

While some may think it smart to cheat on taxes, the effect on that person's character can be tremendous. How will a child react who knows his parents fudge on their income tax return? How much juvenile delinquency may be traced to a home where it is "smart" to get away with whatever one can?

It has been reported that Internal Revenue has paid out $3,000,000 over the past five years in informer fees – to persons who "tattle" on persons they think have lied on their returns. One man was reported to have turned in his brother because the brother refused to contribute to the support of their father. Another case involved a young woman who paid an abortionist $75 for an illegal operation that was not effective. In spite, and on a hunch, she reported her doctor to Internal Revenue and he was allegedly fined $125,000 and sent to jail.

A society which encourages cheating, informing, and the like is well on the road to moral degradation.

Politics

In the days when most government income was collected and spent locally, citizens were able to keep fairly close watch over expenditures. Besides, the total amount collected by all government agencies then amounted to less than 5 per cent of total income. Now, with governments taking more than one-third of the income – the largest share going to Washington, and billions spent all over the world – it is no wonder that crimes frequently involve

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politicians and government officials. The power that goes with the control of money in such vast amounts is a great temptation. Mink coats, deep freezers, padded expense accounts, and the like undoubtedly are minor items.

In spite of repeated attempts to curb it, "patronage" continues to grow as government gets bigger and bigger. And how could it be otherwise? Government, among other things, is today a huge business, handing out contracts, awarding franchises, and filling jobs of influence all over the world. These are often rich rewards for favors conferred. It is not surprising that crime finds its way into such an arrangement.

Government has conferred on labor organizations and their leaders tremendous political and economic power. It would be strange indeed if crime did not accompany efforts to grasp and wield this power.

Welfare

Various types of welfare payments – "something for nothing" – encourage crime in varying degrees. For example, to remain eligible for low-rent housing, a family may lie about its gross income. Welfare payments to unwed mothers encourage the birth of children out of wedlock and discourage thrift and self-sufficiency. Workers are tempted to collect unemployment benefits while on vacation and Workmen's Compensation for questionable injuries. School children receive "free" books and other equipment, and miss the lessons of proper care of personal property. Many students take education for granted, because it is free, and waste their own time as well as that of teachers and serious students.

There are so many ways in which the "something for nothing" philosophy has permeated our lives. One could hardly call it a major source of crime, but anything which encourages lying and discourages thrift and self-sufficiency must certainly be listed among the causes of the moral breakdown of our society.

Conclusion

Practically everyone is alarmed over the increase in crime in this country and elsewhere. Much of it is highly organized and truly terrifying. The story of "How We Bagged the Mafia" told to Stanley Frank by Milton R. Wessel, and published in two issues of the *Saturday Evening Post* during July 1960, will convince the most naive that organized criminal gangs operate on a big scale, in deadly earnest, and are deeply entrenched.

Whenever a crime is threatened

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or committed, the usual response is: "Call a Cop!" But in spite of more laws, more police, and heavier penalties, crime seems to be on the increase. Why? And what can be done about it?

In 1956 a Federal Narcotic Control Act imposed heavier penalties with imprisonment up to 20 years on first offenders in dope cases. Mr. Wessel says that this convinced the Mafia that they should get out of the dope business and concentrate on gambling. This probably would serve only to shift the traffic from one gang to another. When a noted medical doctor reports: "Heroin addicts will obtain heroin, ban or no ban," then it becomes imperative that we seek another remedy.

It is contended here that much of the increase and severity of crime in this country is brought about by unwise legislation which aggravates the problem rather than alleviates it. This is not a proposal to get rid of all policemen and all government. It is properly the function of government to defend the lives and property of all citizens equally; to suppress and penalize all fraud, all misrepresentation, all violence, all predatory practices; and to invoke a common justice under written law.

Neither is it the purpose here to disparage honest law enforcement officers, scientists, and researchers sincerely interested in reducing crime and in contributing to the general welfare of individuals.

Rather, the point here is that in several important instances government has created its own enforcement problems by passing laws which actually encourage rather than decrease crime.

When government passes a "thou shalt not" law and at the same time creates a situation where violators (if not caught) stand to make enormous profits, then an increase in crime can be expected. Glaring examples include:

1. Extremely high taxes on liquor which foster bootlegging;

2. Import duties, quotas, restrictions, and other barriers to foreign goods which encourage smuggling;

3. Promotion and prohibition of gambling by the same unit of government, with heavy penalties and huge profits for illegal promoters;

4. Taxation in such amounts and with such complexities as to place a high premium on dishonesty and tax-evasion;

5. Outlawing of the narcotic trade, which makes it highly profitable for suppliers and pushers and expensive for users, with resultant crime, including the corruption of police officials.

In general, the greater the ex-

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pansion of government through the Welfare State, the more its citizens will rely on "something for nothing," and the greater is the temptation for some individuals to accomplish their objectives through deception, stealing, and other forms of violence.

Individuals and families may be harmed in a great many ways. Of course, it is foolish to gamble or to use narcotics. But it doesn't necessarily follow that the State should pass laws against such foolishness. One may also be harmed by overeating, by lack of sleep, or in innumerable other ways, against which we have no protective laws. Not only would such laws be ineffective, but, as shown in connection with gambling and the narcotic trade, the laws themselves set the stage for crime which may be far worse than the practice that is forbidden.

As a rule, no others are more seriously and sincerely interested in the welfare of children than are their parents. From the very beginning, they try to instruct the children in proper conduct. As a child gets older, he may be influenced by his school, his church, and by other families in the community. It would appear that the amoral State would be the last place one would turn for guidance in conduct. Nevertheless, that is exactly what we do in much of our crime-prevention activity. Not only does the State pass judgment on what is right and wrong, but in some of the instances discussed, creates a situation where crime is practically assured because of the potential profits available to the lawbreakers.

The solution then is to remove the temptation of very high profits for engaging in illegal business. This means restricting government to its proper function of protecting life and property and insuring equal justice under law for all individuals. It means the return of moral problems to individuals and families, or to other agencies of society like the church and the school, where these problems can be handled in an intelligent manner.

IDEAS ON LIBERTY

Lord Lyttleton

TO ARGUE against any breach of liberty from the ill use that may be made of it, is to argue against liberty itself, since all is capable of being abused.

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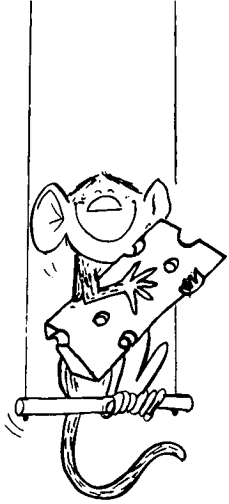

GREY LESLIE

Monkey Business

Once upon a time, as an old Arabian legend has it, there were two cats who could not agree on a fair division of a chunk of tasty cheese. After a lot of argument, one said: "Let's go to the all-wise monkey and let him divide our cheese fairly."

So, they went to the monkey and agreed to abide by his judicial decision. The monkey broke the cheese into two parts and put the pieces on his judicial scales.

He found that one piece was slightly heavier than the other, so he nibbled a piece of it and put it again on his scale. He then found that it was lighter than the other, so he shrewdly bit off a piece of the other, only to find that there was still an imbalance.

While the two anxious cats watched this judicial performance, the monkey kept biting off pieces of the cheese, first from one piece and then from the other, until, eventually, there were only two small pieces remaining.

"What is left," said the monkey, as he popped them into his mouth, "is just enough to pay my fee."

If the present rate of government taxation is allowed to continue and grow, careful observers can see a direct parallel between the record of taxation and this ancient parable of the trusting cats, the greedy monkey, and the tasty cheese.

If the government is to rule on the disposition of the earnings of individuals and industry, by taking bite after bite out of the shares of both, initiative will be stifled, industrial growth will be seriously impeded, and the strength of our vaunted free enterprise system will be seriously threatened.

Unless Americans become alert and articulate about the socialistic trends of our government, we shall find ourselves in the position of the two cats in the legend, when the monkey decides: "What's left is too small to divide." ◆

Mr. Leslie is a free-lance reviewer and journalist from Washington, D. C.

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WHAT YOU SHOULD KNOW ABOUT INFLATION

FOR YEARS Henry Hazlitt, emulating the Dutch boy of the fable, has been trying to plug the ever-widening hole in the dike that has been holding back the waters of inflation. He has not only had to thrust a finger into the hole; he has, as is evident from his *What You Should Know About Inflation* (D. Van Nostrand, 151 pages, $3.50), felt compelled to get into the hole virtually up to his neck.

What You Should Know About Inflation is good, sober stuff, much of it as incontrovertible as Newton's Law of Gravity. Mr. Hazlitt is strong on precise definitions, but when a definition won't do by itself he knows how to assemble statistics in the best modern manner to show the relationships and operational characteristics which make a distinction pertinent.

Dogmatically, he maintains that inflation is due to one thing and one thing alone: it results from an undue expansion of the money supply (or, in modern usage, of paper and bank credit). The increase in the money supply is what causes a rise in prices and in wages as the extra cash in pockets and bank accounts provokes a spirited bidding for existing goods and services. The idea that inflation is a result of a "cost-push" is unsound, for there can be no cost-push if the credit does not exist to support it. A rise in wages or in prices without an antecedent or supporting increase in the money supply would simply serve to cut off business and to provoke unemployment.

Mr. Hazlitt presents this as theory and as logic. But, lest the theory and logic be suspect, he also includes an eye-opening table. In 1939 our money supply (floating cash and bank credit) amounted to $64.7 billion; in 1959 this figure had jumped to $251.6 billion – an increase of 289 per cent. During the same twenty-year period there

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was a wholesale price of 138 per cent. The reason why the price rise didn't gallop out of sight was due to the ability of the American industrialist and businessman to expand production and to make technological innovations. The rate of industrial production during the two decades of our inflation tripled as the money supply quadrupled. The difference between the rates of expansion is what accounts for the price rise.

Does Inflation Increase Production?

Mr. Hazlitt is quite aware that Professor Seymour Harris, among others, thinks the inflation caused the increase in production, and was therefore a cheap price to pay for a more fruitful economic system. Since it is statistically demonstrable that both the inflation and the increased productivity occurred within the same time span, there might be reason to think Harris has logic on his side. But some of Mr. Hazlitt's tables would tend to dispute the point.

In 1944 the federal government fed $95 billion into the economy for purposes generally related to fighting the war. The inflation represented by federal borrowing certainly "caused" the war production. But in 1947, when the federal government was spending only $39 billion – a drop of $56 billion within three years – there was a substantial increase in employment, wages, and prices. Predictions that there would be eight million unemployed if the federal government stopped "supporting" the economy by spending at wartime levels simply failed to materialize. In the light of what has happened to production in periods of contraction in federal outlays, what becomes of the Seymour Harris theory that inflation is necessary to spur a lagging economy?

To make the question even more relevant, Mr. Hazlitt reminds us – in another statistical display – that the inflationary pump-priming of the nineteen thirties failed utterly to mop up the huge pools of unemployment. One reason why "easy money" fails to bail out an economy is that businessmen, in times of inflation, have to borrow more money to sustain the same volume of business that they are doing already. The dollar figures attached to goods and services change, but the realities underlying the figures may not jump sufficiently to give the economy the needed spur.

Some Fallacies Exploded

Having established the broad outlines of his primer, Mr. Hazlitt turns to some specific fallacies of inflationary thinkers. First, there is the theory, advocated by J. Kenneth Galbraith, that the cost-push

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troubles of an inflationary period should be attacked by "selective" price fixing in industries like steel and automobiles. But Mr. Hazlitt observes that selective price and wage controls add to shortages of the very things whose production the government wishes to encourage. Profit margins in controlled sectors lag behind the margins in uncontrolled "luxury" production. The result is a distortion of investment. To get things in hand again, the government is forced to extend its areas of control – and we are on our way to a more or less totally managed economy.

Well, why not? Again Mr. Hazlitt has the appropriate answer: In an economy in which there are some 9 million different prices, and some 40 *trillion* interrelationships of prices, total management would lead to fearful messes. Nobody knows enough to set 9 million different prices, or even a small proportion thereof. And even if it were possible to "administer" the totality of an economy with economic wisdom, the price in compulsion would lead to a serious deterioration in the moral character of the citizens.

Another specific fallacy which Mr. Hazlitt attacks is the theory, set forth on frequent occasions by the late Sumner Slichter of Harvard, that a little bit of inflation is all right. Professor Slichter talked in terms of a controlled 2 or 3 per cent price expansion during a given year. But Mr. Hazlitt notes that a *promised* 3 per cent rise would cause such spirited bidding for goods and services that the inflation would soon outpace the intentions of the controllers. Labor unions would add 3 per cent to the demands they already had in mind; industrialists, racing to beat the price rise, would overstock on inventories.

In other words, if you wish successfully to inflate by a small degree, you must hide your intention – i.e., you must lie to the people. Thus Sir Stafford Cripps denied at least a dozen times in 1948 and 1949 that England intended to devalue the pound. He had to do this to forestall "sure thing" gambling in the pound. When the British government finally set a price for the pound, it made Sir Stafford a twelve-times liar. But Sir Stafford had only done what any statesman bent on "controlling" the price level must do.

Gold Standard — Gold Morality

To protect the people against the fraudulent expropriations caused by inflation, Mr. Hazlitt would like to see a return to the gold standard, which used to act as an automatic check against the vote-buying proclivities of politicians. Much of Mr. Hazlitt's discussion of

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ways and means of resuming specie payments for paper money is technical. But the best part of it is moral; indeed, the argument suggests that if one is to have a gold standard, one must have a gold morality to go with it. To maintain a gold standard even for the short run requires, first of all, that the conversion rate be set at the natural market level. But to keep it going in relative perpetuity demands congruous policies of a fundamentally moral nature. The government must cease to regard the people's income as its own to be dribbled back to groups in conformance with political pressures. It must return to budgets that remain reasonably in balance. There must be lower taxes, less governmental competition with the exercise of private voluntary social power, and an end to the use of the banking system to buy and peg U.S. bonds at a fixed rate. The legal reserve requirements of banks must be increased from 25 per cent to, say, 40 per cent, to make inflationary borrowing impossible, and the Federal Reserve must not use the rediscount rate to promote an artificial easy money atmosphere. All of this would necessarily depend on a revival of integrity that would make any individual or group ashamed of "gimme" raids on the federal treasury.

Given present standards of public morality, it is difficult to believe that we are likely to return to the gold standard in the forseeable future. But that does not mean that Mr. Hazlitt is wrong in either his economics or his morality. ◆

A SHORT HISTORY OF MONEY

By George Winder (London: Newman Neame Ltd. and the Institute of Economic Affairs. 188 pp. 15 shillings.) Available from The Foundation for Economic Education, Irvington-on-Hudson, N. Y., $2.50.

Reviewed by W. H. Peterson

TO THE LATE Irving Fisher of Yale it was for great numbers of the people an "illusion." To Ben Franklin of *Poor Richard's Almanac* it was "time." And to St. Paul its love was "the root of all evil."

"It" is money, which most of us work hard to come by. Money – intimate, necessary, ubiquitous, yet so little understood, even, permit me to say, by bankers and economists. Consult the textbooks on the subject, for example, and you'll find the term somewhat circuitously defined usually in terms of functions. Money, we're told, is a medium of exchange, a standard of value, a store of value, and a standard for deferred payments. Money is, in other words, what money does. Consult the textbooks on inflation and the circumlocution gets even more roundabout.

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But – hang it all – what is money? What is inflation? What forces create money? What forces – in terms of inflation – destroy money? Is it true that banks can manufacture money out of thin air? If so, how? And, from the long-run viewpoint of society, how good is bank money? Can inflation be controlled? Better, can inflation be stopped?

Some very intelligent answers can be found in this brief work on money by George Winder, an English economist and associate of London's Institute of Economic Affairs. Mr. Winder's approach is refreshingly straightforward, sound, and not evasive or esoteric. His grasp of the subject is thorough. His knowledge of history is impressive.

This is not to say the Winder book is on a par with Walter Bagehot's *Lombard Street* (1873) or Ludwig von Mises' *The Theory of Money and Credit* (1912). It is possible to quibble with some of Mr. Winder's discussions – for example, with his discussion of the quantity theory of money. Still, for what Mr. Winder sets out to do, his book is a contribution, and I hope an American publisher will bring out an edition here.

When Mr. Winder sets out to describe the role of money in our society, by way of illustration, he succeeds admirably. He sees that ours is a money economy. Money is the lifeblood of our complicated system of exchanges. It makes buying and selling possible. It permits division of labor while binding society together. It fosters international trade.

Yet money is a two-edged sword. While it can create, it also can destroy. Inflation is money gone wrong, a once-healthy tissue turned, at its worst, into a festering cancer. And it is to Mr. Winder's credit that he shows how deposit money – i.e. bank credit – especially when hooked to govern-

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ment deficit finance, becomes an enormous engine of inflation.

The author scores again when he shows how inflation contributes to the business cycle, exaggerating profit margins and producing warpages between prices and costs. Perhaps the most significant item of cost is wages. Mr. Winder says rigid and excessive wage rates lead to unemployment. This unemployment, in turn, induces governments to wash out the effects of uneconomical wage rates with inflation. This is not infrequently done under the Keynesian aegis of "spending ourselves into prosperity."

The author takes to task those who say that deficit finance and consequent inflation is inevitable in financing war. Nonsense, says Mr. Winder: There is no reason why a government should not fight a war without inflation. Even Napoleon managed to carry out his vast military adventures without resorting to the printing press. His money was gold, and he stuck to it. To be sure, this called for very steep taxation. But it can be done.

Sound money is the basis of a sound civilization, says George Winder. Or as Graham Hutton quotes Keynes (the saner Keynes of 1919) in the foreword:

"There is no subtler, nor surer, means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

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E. A. O.

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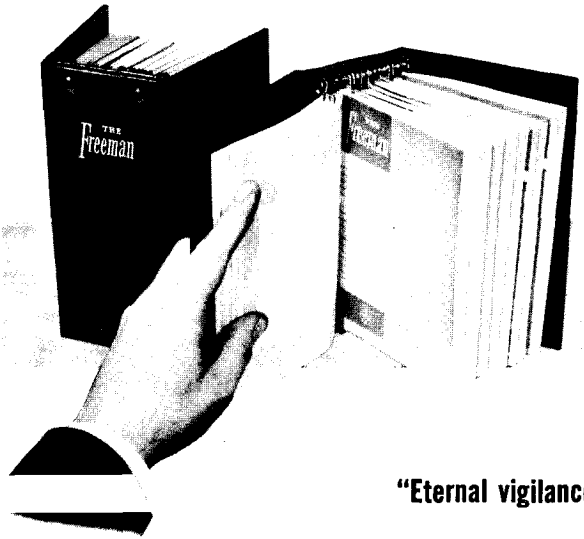

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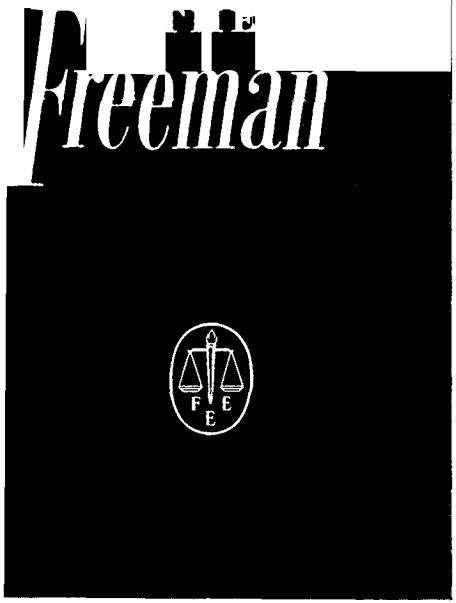

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